RURAL MARKETING

Indian Perspective

Awadhesh Kumar Singh • Satyaprakash Pandey

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Indian Perspective

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Preface & Acknowledgement

Indian rural market is very vast. Over 750 million consumers (74 per cent) of India's one billion plus population live in 6.27 lakh villages. It is about 12 per cent of world's population. The size of rural market is estimated to be Rs. 3500 billion out of which agricultural products are valued at Rs. 2500 billion i.e. 71.43 per cent. The FMCG's market accounts for 14.29 per cent while market size of agricultural inputs and equipments accounts for 12.86 per cent. Again, market size of durables is estimated to be just 1.43 per cent of total rural market size in India. Interestingly, there have been proposals for cumulative investments of over Rs. 720 billion in food and agro-processing industry. It is said that the number of middle income and above households in the rural areas will grow from 80 million to 111 million by 2007. Thus, the absolute size of rural market is expected to be double that of urban India. Moreover, the trend analysis of statistics pertaining to rural marketing of FMCG's shows that there are high rates of growth in rural areas as compared to growth rates of urban areas. It is said that Indian rural market is 'sleeping giant' since there is vast potential. Rural market environment has changed. So is the rural consumer. The earlier myths are broken into reality while rural consumer is becoming conscious regarding quality, price realization, and enjoying the benefits of services related to product's sales and customer delight. Again, rural market is not confined to marketing of agricultural inputs and agro-products. It is growing to expand and enlarge to encompass marketing of agricultural produce, agro-products, agricultural inputs, non-farm products, FMCG's and durables, services, etc. Almost all the MNC's and corporates are responding to change environment and trying their best to penetrate and enhance market size through exploiting newly emerged rural markets. Interestingly, the understanding of rural consumers; dynamics of rural business environment; examining problems, challenges and constraints; and exploring and exploiting the potentials is the need of hour. The need for a systematic approach to rural marketing is felt by the academicians, policymakers, marketers and activists of NGO's. Against this viewpoint, the book has been prepared to provide a framework of understanding the dynamics of rural marketing and suggesting appropriate strategies to explore and exploit the emerging potentials. The book is planned in 15 chapters. These chapters provide thorough information, knowledge and data pertaining to products and services. The book highlights: critical issues in rural markets, marketing environment, consumer behaviour, agriculture inputs, agricultural produce, non-farm products, communication marketing research and MIS, consumer goods and durables, distribution channels, retailing, services sector, social development, problems and challenges, marketing strategies etc.

The book is result of cooperation, support, encouragement and inspiration of friends, colleagues and scholars. We are extremely thankful to the Faculty of various programmes of Institute of Management Sciences, Lucknow University, Lucknow for their support, encour-

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April 15, 2005

Awadhesh Kumar Singh
Satya Prakash Pandey

Contents

Preface & Acknowledgement *v*

1. INTRODUCTION **1–10**

Marketing *1*
Rural Marketing *2*
The State of the Art *3*
Rural Marketing Boom *3*
Corporate Interest in Rural Markets *5*
Market Size and Penetration *6*
Enhanced Mobility and Improved Access to Rural Markets *6*
Competition in Urban Markets *7*
Consumer Behaviour Changes and Rising Disposable Incomes *7*
Audio-Visual Media Impact *8*
The Expectation Revolution *8*
Rural Market is Indeed Important *8*
References *10*

2 LIBERALIZED ECONOMY—IMPACT ON RURAL MARKETING **11–16**

Economic Reforms *11*
Corporate Response to the Change *11*
Marketing in Pre-Reforms Era *12*
Rural Marketing in Changed Scenario *13*
References *16*

3. THE RURAL CONSUMER IN INDIA **17–23**

Geographical Spread *17*
Socio-Economic Profile *17*
Diversity *18*
Literacy *18*
Lifestyles *19*
Use of Durables and Non-durables by Indian Rural Folk *20*
Brand Preference and Loyalty *20*
Small Pack Sizes *22*
Place of Purchase *22*
References *23*

4. MARKETING OF AGRICULTURAL INPUTS **24–43**

Marketing Environment of Inputs—A Framework for Understanding *25*
Agronomic Potential *27*
Agro-Economic Potential *27*
Actual Consumption *27*
Demand, Media and Competition *27*

Marketing of Consumable Inputs *28*
Fertilisers Marketing *31*
Promotion and Extension *32*
Marketing of Pesticides *34*
Distribution *35*
Production *35*
Bio-Pesticides *36*
Marketing of Tractors *37*
References *42*

5. MARKETING OF AGRICULTURAL PRODUCE **44–71**

Government Efforts *44*
Structure of Agricultural Marketing *45*
Environment for Agricultural Marketing *47*
Regulated Agricultural Markets In India *48*
Features of Regulated Markets *49*
Realistic Situations *50*
Challenges in Agricultural Marketing *52*
Horticulture *54*
Floriculture *55*
Livestock and Fisheries *55*
Organic Farming *58*
Characteristics of Organic Farming *58*
Benefits of Organic Food *59*
Historical Aspect *65*
Trends in Sugar-cane Production *66*
Sugar-cane Supply *67*
Sugar-cane Price *68*
Rate of Commission *70*
Payment of Sugar-cane Price *70*
References *71*

6. MARKETING RURAL NON-FARM PRODUCTS **72–85**

RNFS is Important *72*
Market is the Real Test *73*
Market for Rural Products *73*
Government Efforts to Strengthen and Support Marketing of RNFS Products *75*
KVIC's Marketing Network *75*
Handloom Emporia *75*
Marketing Structure of Handicrafts *75*
References *85*

7. RURAL COMMUNICATION **86–104**

Key Concepts *86*
Effective Messages *87*
Media *90*
Traditional *90*
Media Vehicles Available *92*
Media Effectiveness *96*
Audience Profile *97*
Media Preference *97*
Channel and Programmes Viewed *97*
Audience Behaviour *97*
Rural Communication—Challenges and Strategies *98*
Participatory Rural Communication *100*

ICT in Rural India *101*
Information and Communication Technology (ICT) in Village Level Development *102*
References *104*

8. MARKETING RESEARCH AND MIS **105–116**
Research to Rural Markets *106*
Major Techniques of Market Research *107*
Participatory Rural Appraisal (PRA) Approach *108*
Multi-Dimensional Scaling (MDS) *109*
Data Collection *110*
Marketing Information System (MIS) *112*
Rural Marketing Information System (RUMIS) *114*
Market Research *115*
References *116*

9. MARKETING OF CONSUMER GOODS AND DURABLES **117–135**
Classification of Products and Markets *121*
Marketing Myths Undermined *123*
Consumer Markets-Growth Trends Reviewed *127*
References *135*

10. RURAL DISTRIBUTION CHANNELS **136–153**
The Village Retailers *136*
Corporate Strategy *139*
Consumer Durables Retailing in Villages *140*
'Haats' and Fairs *141*
Mobile Trader *143*
References *153*

11. MARKETING OF SERVICES **154–176**
Services Marketing in Rural India *155*
Herbal Hardsell *164*
Agricultural Insurance *166*
Crop Insurance Schemes *169*
References *175*

12. MARKETING FOR SOCIAL DEVELOPMENT **177–185**
Marketing Considerations *178*
Communication and Promotion *178*
Corporate Social Responsibility *179*
References *185*

13. RURAL RETAILING **186–194**
Growth of Rural Markets *186*
Retail Business in India *188*
Strategies *193*
References *194*

14. PROBLEMS AND CHALLENGES OF RURAL MARKETING **195–201**
References *201*

15. RURAL MARKETING STRATEGIES FOR INDIA **202–210**
Distribution *206*
Communication Strategy *207*
References *210*

Bibliography **211**

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1

Introduction

Fast pace of technological advancement has revolutionised almost every sphere of social, economic, political and cultural life all across the world. Consequent drastic changes are visible in the way we produce, reduce costs, distribute the produced goods, and expect higher profits. The focus is on tapping the unexplored markets. Computing and Communication Technology (together called Information Technology) has made the world a global village. Liberalisation of trade restrictions, and deregulation of domestic capital markets has further intensified competition. Urban markets have saturated. This led to force the companies to re-design their marketing strategies, and look to rural markets for expansion. Foreign companies are also trying their best to tap the rural market. Rural consumers have also realised that they need to be served better and have started to demand standardized quality goods that are advanced, reliable and low-priced. Rural markets are thus getting tougher, and more and more competitive day-by-day. Rural marketing is, therefore, the focus of attention for not only corporate houses, but also planners, policy-makers, managers of economy, and specifically for students, teachers, researchers and practitioners in the field of marketing management.

MARKETING

Loosely speaking, marketing is perceived to be the art of selling products. However, it is a complex process, starting from market-driven production to consumption, covering transportation, storage, logistics, packaging, distribution, etc. According to Kotler (1999, p. 8). Marketing is a social process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others. American Marketing Association (1995) also perceived it to be a complex "process of planning and executing the conception, pricing, promotion and distribution of ideas, goods, services to create exchanges that satisfy individual and organizational goals". And this complexed process is "a marketing process , based on goals and capabilities, by which a producer provides a marketing mix (products and services, promotion, pricing, distribution, etc., that meets consumer needs within the limits of society" (Rosumberg, 1977, p. 6).

Another way of looking at marketing is the needs, wants, demands of the people and their satisfaction. It looks at the consumer's needs, wants and demands, and also at how and in what ways could they be fulfilled. Whatever be the motive, the financial profits, or the social benefits. However, largely it is the 'profits' in monetary terms that people attach themselves with marketing. According to Drucker (1958, p. 252), marketing cannot create purchasing power. But by converting the latent demand into effective demand and by channelising all the purchasing power in the desired direction it sets a high level of economic direction it sets a

higher level of economic activity. However, it is also seen that, this change in the economic tune of the existing system may not be possible without any change in methods of production, distribution of population or of income. Marketing is, thus, directly related with (economic) development. Kotler (1958) has shown that it is marketing which is the key to economic growth of underdeveloped countries.

However, attempting to define 'rural marketing' is very difficult. "The concept 'rural' and 'marketing' though used very frequently in various forums, have eluded any precise and non-controversial definition. When we, join them, the resulting concept 'rural marketing' means different things to different persons. This confusion leads to distorted understanding of the problems of rural marketing, poor diagnosis and more often than not, poor prescriptions (Jha, 1998).

RURAL MARKETING

Rural marketing is a fashionable subject today, though it is far more important for a developing economy like that of India. Different people have different definitions of rural marketing. This happens as the subject has been relatively unattended by serious academic professionals. The opening up of the domestic economy to external competition and the emergence of purchasing power in the rural areas, business and development professional calls for a better understanding of the concept and processes of rural marketing (Singh, 2001, p. viii).

Rural marketing is the process of developing, pricing, promoting, distributing rural specific goods and services leading to exchanges between urban and rural markets which satisfies consumer demand and also achieves organisational objectives (Ramkeshen, 2002, p. 10). The term "rural marketing" which was earlier used as an umbrella term to refer to all commercial transactions of rural people, acquired a separate meaning of great significance in 1990s. Since 1980s, India's industrial sector had gained in strength and maturity. It's contribution to GNP increased substantially. A new service sector had emerged signifying the metamorphosis of agricultural society into industrial society. Due to development programmes of the central and state governments, service organisations and socially responsible business groups like Mafatlal, Tatas, Birlas, Goenkas and others, the rural area witnessed an all round socio-economic progress. The economic reforms of 1991-92 further accelerated the process by introducing competition in the markets. Steadily the rural market has grown for household consumables and and durables (Krishnamacharyula and Ramakrishnan, 2002, p. 60, p. 62).

Following factors have been identified (by Agadi & Paramashivaiah, 1997) to be responsible for the rural market boom:

1. Increase in population, and hence increase in demand. The rural population in 1971 was 43.80 crores, which increased to 52.50 crores in 1981, and 72 crores in 1994;
2. A market increase in the rural incomes due to agrarian prosperity;
3. Large inflow of investment for rural development programmes from government and other sources;
4. Increased contact of rural people with their urban counterparts due to development of transport and a wide communication network;
5. Increase in literacy and educational level among rural folks, and the resultant inclination to lead sophisticated lives;

6. Inflow of foreign remittances and foreign made goods into rural areas;
7. Changes in the land tenure system causing a structural change in the ownership pattern and consequent changes in the buying behaviour (Agadi & Parmashivaiah, 1997, p. 5).

THE STATE OF THE ART

In spite of a rural marketing boom in India, the Indian marketing literature has shown several weaknesses. After having made a very comprehensive literature survey on the subject, Jha (1998) has broadly summarised the weaknesses of rural marketing literature as follows:

1. In terms of participants, it almost ignores the majority of rural population, the rural poor.
2. In terms of products, it concentrates on tangibles and ignores some of the basic need satisfying 'products' like, health, education, drinking water, housing and other products like transportation, labour, land, money, etc. Even in tangibles, the focus seems to be exclusively on economic goods.
3. In terms of modalities, it does not say much about the criteria for development of market centres (except a few economic studies), roles of various parties (including regulating agencies) with regard to a large array of transactions and so on.
4. In terms of norms, it does not say much about the norms of behaviour, liabilities of various parties, etc., even with regard to conventional goods.
5. In terms of the outcome, the marketing literature, in general, is negligent, more so, the rural marketing literature.

It was in the connection of this literature survey, Jha (1998) found that 'In the Indian marketing literature a dominant theme is agricultural marketing, focusing mainly on the marketing of agricultural produce and that of agricultural inputs.......Even in terms of products the focus is limited to grains, cash crops and inputs like fertilizers, pesticides, seeds and farm machinery. It shows a clear bias in favour of those who use modern, high cost inputs and produce surplus for urban consumption, constituting may be, around 10 per cent of the rural population.....The other steam of Indian marketing literature focuses on what goes under the title "rural marketing", interpreted differently by different authors. It basically covers various aspects of rural consumers.....Yet another stream of marketing literature, mainly emerging from the experiences and conceptualisations in the US particularly drawn from the experiences of Latin American, African and Asian countries, throws useful light on various dimensions of rural marketing (Jha, 1998).

RURAL MARKETING BOOM

India lives in her villages. And so it would appear to India's consumers. Profitable farming and better marketing options in some states have made a large number of villagers potential consumers for Consumer Durables and FMCG (Fast Moving Consumer Goods) companies. The size and profitability of the rural market increases with agricultural development and infrastructure facilities. The greater the agricultural development in an area, the greater the rural market. Villagers now consume everything from branded soaps to cold drinks like Pepsi to electrical appliances like high horsepower tractors. Most of the manufacturers still think that urban areas are the potential markets for their products. But the studies show that the

Table 1.1: Demand: Rural Vs. Urban

Sl.No.	*Features*	*Rural*	*Urban*
1.	Demand Pattern	Seasonal	Uniform
2.	Spread	Widely Spread	Concentrated
3.	Literacy Level	Low	High
4.	Source of Supply	Inadequate	Adequate
5.	Physical Communication Facilities	Poor	Very good
6.	Product Knowledge	Not known	Known
7.	Awareness of Needs	Not known	Known
8.	Source of Information	Word of Mouth Mostly Oral	Any Media
9.	Product Concept	Not Known	Known
10.	Timeliness of Supply	Untimely	Timely
11.	After Sales Services Availability	Inadequate	Adequate
12.	Expenditure Pattern	Somewhat Unproductive	Productive
13.	Guidance on Usage	Needed	Not needed
14.	Per Capita Income	Low	High
15.	Product as Status Symbol	Mostly No	Mostly Yes
16.	Consumer Protection	Rarely Available	Easily Available
17.	Choice of Brands	Low	High

[*Source:* **T.P. Gopalswami, Rural Marketing**, Wheeler Publishing, Delhi, 1997, p. 28.]

rural share has been increasing over time. The number of items which sell less than 20 per cent in rural areas has actually declined. Now rural areas absorb more of all items. The demand pattern for consumer products has also changed. So, far the country's mega marketers, the rural reach is increasingly becoming the most important route to growth. Some companies like Hindustan Lever, Nirma, Parle Foods and Marico Industries are making inroads into the interland, usually displacing unbranded offerings and regional local brands. But their ingress remained restricted primarily to the 10 product categories with the highest penetration in the rural market (Chundi, 1999). According to ORG-MARG survey, these products (together with percentage penetration, and brand with highest penetration) were as follows untill a few years ago: Toilet Soaps (88.26% penetration - Lifebuoy), Washing Soaps (87.4% penetration - Nirma), Edible Oils (84.67% penetration - Palamoleiv, Anupam, Mustard Oil), Tea (79.09% penetration - Nirma), Biscuits (59.80% penetration - Parle - G), Coconut Oil (53.76% penetration - Parachute), Safety Razor Blades (45.34% penetration - Topaz), and Shampoos (38.28% penetration - Clinic) (Business Today - July 3, 1999).

Trends indicate that the rural markets are coming up in a big way and growing twice as fast as the urban, witnessing a rise in sales of hitherto typical urban kitchen gadgets such as refrigerators, mixer-grinders and pressure cookers. According to a National Council for Applied Economic Research (NCAER) study, there are as many 'middle income and above' households in the rural areas as there are in the urban areas. There are almost twice as many 'lower middle income' households in rural areas as in the urban areas.....

As per NCAER projections, the number of middle and high income households in rural India is expected to grow from 80 million to 111 million by 2007. In urban India, the same is

expected to grow from 46 million to 59 million. Thus, the absolute size of rural India is expected to be double than that of urban India. The study on ownership of goods indicates the same trend. It segments durables under three groups - (1) Necessary products - transistors, wrist-watch and bicycle; (2) Emerging products B & W TV and cassette recorder; (3) Lifestyle products - CTV and refrigerators. Marketers have depend on rural India for the first two categories for growth and size. Even in lifestyle products, rural India will be significant over next five years (Kannan, 2001).

The opportunity seems big 12 per cent of the world's population, or 126 million households, lives in rural India. Purchasing power exists. Between 30 and 50 per cent of the consumption of a number of consumer goods comes from rural India. Faced with intense competition in their urban markets, where high media spends and expensive consumer promotions are the order of the day, marketers are giving up to milk the great rural opportunity (Mishra and Gupta, 1999). Rural Marketing strategies are bolstered by data indicating the latent purchasing power that consumers in rural areas have (Jacob, 2003).

CORPORATE INTEREST IN RURAL MARKETS

Television has made inroads into rural homes. Mass-media today has enormous approach and access to rural masses, capable of influencing their habits and lifestyles, and this, creating demand for the (branded) products. Corporate houses then develop new products for rural consumers and attempt their suitable positioning. For example, Hindustan Motors (HM) launched a utility vehicle, the RTV (Rural Transport Vehicle) aimed at rural markets. Titan Industries found their watch brand 'Sonata' getting popular in rural areas, they formulated a new strategy tailored to the requirements of large rural markets (Rai, 2000). The recession and the knowledge that rural customers have not been tapped to their full potential has forced the companies to undertake innovative measures Hyuendai Motors India Limited (HMIL), Coca Cola India, DCM, Shrimram Chemicals Limited, are all doing so (Jacob, 2003). The companies that are tapping the rural markets, are surprisingly the multinationals like Hindustan Lever Ltd. who have done more to penetrate the rural market than several Indian private sector grants or even the public sector. There are three strong reasons that give multinationals this advantage of tapping rural markets. First: the companies need the resources to understand a large and diverse rural economy. The kind of exploratory study of behaviour that in needed to understand the peculiarities of each segment of the rural market will necessarily be expensive. Second: even if the companies have the resources, they need to believe the expenditure is worthwhile. This belief must co-exist with the recognition that the exercise need not always result in a profit-generating project. Third: companies must not treat the rural market as a dumping ground for lower end products designed for an urban audience. Instead, they must use their technological expertise to create specific products for the rural economy (Pani, 2000). In meeting these three conditions the multinationals have an edge over several major Indian companies. They have much deeper pockets, have an attitude for greater emphasis on research, are technologically much advanced, and are sensitive to the rural Indian markets.

At a seminar in Chennai on 'rural marketing for competitive advantage in globalised India'..... marketing pundits echoed that a sound network and a thorough understanding of the village psyche are a SINE QUO NON for making in roads into rural market. The price-sensitivity of a consumer in a village in something the marketers should be alive to. Rural

income levels are largely determined by the vagaries of monsoon and, hence, the demand there is not a easy horse to ride on. Apart from increasing the geographical width of their product distribution, the focus of corporates should be on the introduction of brands and develop strategies specific to rural consumers. Britania Industries launched 'Tiger Biscuits' especially for the rural market. It clearly paid dividend. Its share of the glucose biscuits market has increased from 7 per cent to 15 per cent (Kanan, 2001).

Following are the specific reasons as to why corporate houses take enormous interest in rural markets in India.

1. **Untapped Potential:** for marketing of branded goods and services for the following two reasons:
   - **1.1 Large Consumers:** About 12 per cent of world's population, or 126 million household's, lives in rural India. Purchasing power exists. Between 30 and 50 per cent of the consumption of a number of consumer goods comes from rural India (Mishra and Gupta, 1999). As per the projections of National Council for Applied Economic Research (NCAER), the number of middle and high income households in rural India in expected to grow from 80 million to 111 million by 2007....The absolute size of rural India is expected to be double than that of urban India (Kanan, 2001).
   - **1.2 Largely Untapped Markets:** Penetration levels for many products are low in rural areas (Velayudhan, 2002). Research Organisations like NCAER, ORG-MARG have made substantial studies to show that rural markets are growing at five times the rate of urban markets (Ramakishen Y, 2002, p. 9).

MARKET SIZE AND PENETRATION

About 12 per cent of world population lives in rural areas in India. This is a huge market by world standards. According to an NCAER (1998) survey, rural consumers own only 52 per cent of available consumer durables, even though they constitute 72 per cent of total households in India. According to this survey, on an average rural households owned three consumer durables as compared to seven consumer durables owned by an average household. It also showed that purchase and use of certain durables and non-durables by consumers in rural areas is more than that of the consumers in urban areas. The durable products are: Sewing machines, radio/ transistors; wrist-watches, black and white television sets, cassette recorders, bicycles, table fans, and pressure cookers. However, in case of non-durables, following data shows that at least for six products, rural market has a larger share than the urban.

ENHANCED MOBILITY AND IMPROVED ACCESS TO RURAL MARKETS

With the advancement of transport and communication system, mobility has increased. People from rural areas are coming to urban areas and from urban areas to rural areas. Now, there is an enhanced interaction, interchange and inter-migration between rural and urban people and thus developing a common culture. When mobility increases, rural people come in close contact with the urban people. When they come in close contact with the urban people then they feel inspired to proceed for fashion, comfort and other desirable things of urban life (Dey and Adhikari, 1998). The road network has facilitated a systematised product distribution system to villages. An increasing number of companies are supplying village markets directly.

Table 1.2: Rural Market Share of Consumption

Non-Durable Products	*Share of Rural Percentage*
Analgesic Tablets	45.7%
Batteries	56.2%
Blues	52.3%
Coconut Oil	41.6%
Iodized Salt	51.4%
Safety Razor Blades	54.1%
Tea	51.3%
Toilet Soaps	41.9%
Washing Soaps	54.6%
Washing Powder/Liquids	46.4%

[*Source:* **Business World**, 7-21 April 1999, as quoted by Velayudhan (2002), p. 22.]

Marketers of durable goods use direct contacts as a means to attract rural consumers to dealer points in large feeder villages or towns.

COMPETITION IN URBAN MARKETS

Proliferation of brands (and consequently) intensified competition in urban markets increased costs and reduced market share. "It is a fact that urban markets are slowing down. The urban meltdown of markets is going to force the marketing segment to rush where the marketing angels of yesteryears feared to tread: the rural market" (Chundi, 1999). For example, it can be seen that in the automobile market, Rajdoot Motorcycles, Bajaj Scooters, or even Ambassador cars are finding ready acceptance in rural markets, as there is a proliferation of brands and fierce competition in urban markets.

CONSUMER BEHAVIOUR CHANGES AND RISING DISPOSABLE INCOMES

With the economic development of rural areas, disposable income of rural people has gone up. Rural people are now purchasing soaps, toothpowder, paste, tobacco products, radio, TV, bicycles, motorcycles, cooking utensils, wrist watch, razor blades, detergents and so on: Today rural incomes generate not only from agricultural section but also from other sections. There is a sizeable salaried class in rural areas. the government implemented various schemes, such a, JRY, PMRY, IRDP, NREP, etc., to provide work and self employment opportunities in rural areas (Dey and Adhikari, 1998).

An Indian farmer going through his daily chores may sound idiotic. Not for Arvind Mills, though. When it launched the Ruf & Tuf kits, it had created quite a senstation among the rural folks as well within few months of their launched (Kannan, 2001). Much of these changes are being brought by the youngsters. Education has been a great contributing factor to consumer behaviour changes in rural India. "40 per cent of all those graduating from colleges are rural youth. They are the decision-makers and are not very different in education, exposure, attitudes and aspirations from their counterparts at least in smaller cities and towns (Kannan, 2001). It is the youngsters who decide what to buy (Krishnamurthy, 2000). In the days to come,

rural consumers are going to be younger and far more choosy when it comes to making purchasing. It will thus become imperative for marketers to focus on these young target audience (Krishnamurthy, 2000). Further, the disposable incomes of rural consumers is rising. New tax structures, a good monsoon, fruits of green revolution and Administered Price Mechanism (APM) have created disposable incomes. It is bonic that rural people amidst deficiency spend so lavishly on weddings, ceremonies and festivals. It is this incomes that companies will tap.

AUDIO-VISUAL MEDIA IMPACT

Radio and TV have revolutionised the entire marketing scenario. Practically TV is more effective in conveying and injecting an idea. TV has changed the rural folk's outlook, attitude and lifestyles. It penetrates into rural area smoothly and makes the work of sales personnel easy. Radio covers 62 per cent of urban and 40 per cent of the rural population. TV covers 80 per cent of the urban and 35 per cent of the rural population. In some rural areas which are in the hinterland of towns and cities Doordarshan is being overshadowed by cable network. The net effect of increasing coverage of audio-visual media is greater and it provides greater exposure to modern lifestyles and brands (Dey and Adhikari, 1998). Media impact on rural customers is high. This is changing their lifestyles, thereby increasing their consumption of non-food items. Interest arousal capability of television is high. Attitudes have changed. Acceptance of (even international) brands is high. Hence enormous corporate interest in rural marketing in India.

THE EXPECTATION REVOLUTION

More than the green revolution, the revolution of 'rising expectations' of the rural people influenced the marketing environment of rural India. While the expectation revolution did not in itself result in any additional purchasing power, it brought about a powerful change in the environment dynamics. It enlarged the awareness of the rural people; it kindled their hopes; it strengthened their motivation to work, earn and consume. Political and social changes taking place in the country strengthened this phenomenon. The rise in income resulting from the new farming strategies has added meaning and substance to the growing aspirations of the rural people. (Agadi & Paramashivaiah, 1997). It is this expectation revolution that motivated the corporate enterprises to take enormous interest in rural consumers.

RURAL MARKET IS INDEED IMPORTANT

Rural Markets have seen a big boom in terms of opportunities they provide to the corporate sector in India. Rural India had a share of over 55 per cent in total consumption of FMCGs (Fast Moving Consumer Goods), and had a growth of about 14 per cent per annum during the period 1992-93 to 1997-98. This seems to be a fairly good growth by any standard (Brahmankar and Gupta, 2000). The rural market's contribution to the total national market had gone up from 28 per cent in 1985 to 40 per cent in 1990 (Chatterjee, 1992). The size of rural marekt in1992

was of the order of Rs. 40,000 crores, made-up of Rs. 22,000 crores for non-food items and Rs. 18,000 crores for food items (Soritakki, 1992, p. 562). During the period 1992-93 to 1997-98 consumption of FMCGs had grown at a rate of 14 per cent per annum.

According to data furnished by National Council for Applied Economic Research (NCAER) clearly showed a great rural market boom (Business World, 1999). The Chief Economist of NCAER (based on this data) clarified "that rural growth rates have already outpaced urban ones and will continue to do so through the next decade. So, a presence in the rural market, will not remain a choice, but a necessity" (Business World, 1999, p. 27). The companies will have no choice but to go rural if they must survive. Findings of the study conducted by NCAER in 1998-99 showed that, (*i*) Rural markets for group I durables (less than Rs. 1000 in value: items like transistors, pressure cookers, wrist-watches, bicycles, etc.) are bigger than urban markets already; predicted that (*ii*) rural markets for group II durables (Rs. 1001- Rs. 6000 in value: items like B&W TVs, sewing machines, mixers, cassette recorders) will be bigger than urban markets by 2001-02; (*iii*) for group III durables (Rs. 6001 or more in value: like color TVs, refrigerators two-wheelers and washing machines) rural markets will be smaller than urban ones, even in 2006-07; and showed that (*iv*) rural market growth rates are faster than urban ones, even on the larger bases of group I & II (Business World, 1999). The NCAER data also showed that India is now seeing a dramatic shift towards prosperity in rural households. It predicted that the lowest income class will shrink from more than 60% in1994-95 to 20% in 2006-07. The higher income classes will be more than double. Rural economy has triggered. Ten good rains in a row from 1980-81 to have 1998-99) boosted foodgrain production. Procurement prices have also been rising. This implies growing rural prosperity and demand for goods. The NCAER data clearly showed that Rural FMCG (Fast Moving Consumer Goods) Market will boom (Business World, 1999, p. 28-29).

Some impressive facts about rural sector:

(*i*) The number of rural supermarkets (haats) in India 42,000 exceeds the total number of retail chain stores in the US (35,000);

(*ii*) In 2001-02, LIC sold 55 per cent of it's policies in rural India;

(*iii*) Of the two million BSNL mobile phone connections, 50 per cent are in rural;

(*iv*) Of the 20 million who have signed up for Rediffmail, 60 per cent are from small towns. Of the one lakh who have transacted on Rediff online shopping site, 50 per cent are from small towns;

(*v*) 24 million Kisan Credit Cards (KCC) issued in rural areas exceeds the 17.7 million credit plus debit cards issued in urban India. A whopping Rs. 52,000 crore has been sanctioned under the KCC scheme;

(*vi*) The number of middle and higher income families (Having Rs. 70,000 plus annual income) in rural (21.7 million) and urban (24.2 million) is nearly the same;

(*vii*) Electricity consumption by the agricultural sector has shown a sharp increase from 17.6 per cent of total consumption in 1980-81 to 29.2 per cent in 1999-00. During the same period, industry share has dropped from 58.4 per cent to 34.8 per cent (Kashyap, 2003, p. 6).

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2

Liberalized Economy—Impact on Rural Marketing

ECONOMIC REFORMS

Since 1991, India has been going through a process of economic reforms and liberalization. The reforms have embranced almost all aspects of the country's economy. Policies relating to industrial licensing, trade and foreign investment have undergone major changes. In addition, significant macro-economic adjustments have also taken place. Economic institutions too have undergone significant change; the banking sector, and capital markets in particular, have been major targets of the change. And finally, structural adjustments covering areas like subsidies, the price environment and the public sector have also taken place. Collectively, these reforms aim at modernisation of the country's industrial system, removal of unproductive controls, strengthening of private investment, including foreign investment, and integration of India's economy with the global economy. In one word, it can be said that all-round opening up of the country's economy has been the essence of the reforms (Ramaswamy & Namakumari, 2002, p. 37). The programme of macro-economic adjustment and structural reforms has stabilized the economy and integrated it with world economy. The board contents of the structural reforms programme are not new. They are an elaboration and intensification of changes were aimed at increasing productive efficiency of the economy by creating a more open and competitive environment for both the public and private sector (Ahluwalia, 1993, p. 80). There seems to be a general consensus on the desirability of reforms to dismantle the bureaucratic regulatory apparatus evolved over the years that may have out-lived it's utility (Kumar, 2000, p. 803).

CORPORATE RESPONSE TO THE CHANGE

How did the Indian corporate sector respond to these economic liberalization measures ? Basant (2000), suggested that :

(*i*) The Indian corporate sector is vigorously restructuring itself to retain competitiveness. Restructuring is mainly geared towards consolidation in a few chosen areas to correct the inefficiencies created by overdiversification in the pre-reform era.

(*ii*) MNC's have actively participated in the mergers and acquisitions process to get market entry or to strengthen their presence.

(*iii*) MNC's are better placed vis-a-vis domestic firms in the acquisition game because of their deep pockets and relatively cheaper access to capital.

(*iv*) The reliance of the Indian corporate sector on foreign technology purchase has increased. More and more technology flows are now tied with equity.

(*v*) Firms are making efforts to improve manufacturing capability. This is being done through building alliances as well as through initiatives within the firm. Quality upgradation seems to be their key priority. The efforts at improving manufacturing capability may still prove to be inadequate to meet the competitive challenges.
(*vi*) Product differentiation strategy seems to be dominating over strategies of building distributed and market related complementary assets.
(*vii*) Export based growth strategies are being adopted by some of the corporate sector firms but such strategies are not widespread; export orientation increased appreciably in the early years of reforms but has been a major collapse since 1997-98.
(*viii*) The performance of the Indian corporate sector in the 1990s, has shown mixed tendencies. Profitability rates, export performance as well as export to import ratios have shown varied trends across industry groups.

Tougher the competition in the business environment, increased efficiency became a must for a corporate enterprise to survive. This implied business re-engineering process to be adopted in an enterprise. This involves a fundamental change that effects multiple business functions. This required the company to look back and rethink the way it did business, and reshape and re-align it's strategies, business processes, technology, people and infrastructure with what the customer needed. Fundamentals of business changed, and flexibility, teamwork, customer focus, speed to market, quality management became very important for an enterprise, and the realization that being complacent with the status quo is certainly the fastest way to lose one's leadership position.

According to Khanna (1993, p. 144), following emerged to be important in the changed business environment:

(*i*) Customer's perspective is the only perspective;
(*ii*) Management commitment and involvement;
(*iii*) Far reaching goals combined with continuous measurement of performance;
(*iv*) End-to-end view of processes, across all functional and organizational boundaries;
(*v*) Operationist focus around customer driven business results;
(*vi*) The elimination of non-value added activities;
(*vii*) Ownership at all levels of the organization and people empowered with knowledge, tools and authority;
(*viii*) Timely dissemination of information; and
(*ix*) Continuous improvements.

MARKETING IN PRE-REFORMS ERA

Despite the fact that the Industrial Policy Resolution (6th April, 1948) emphasized a very important role of cottage and small scale industries in national economy, and despite having realized marketing as a key economic activity, marketing in India had faced a 'stepchild' treatment. This was clearly a fall-out of the over-regulated economic developent moded pursued. Neelmeghan (2000, p. 4) summarised the main ingredients of these models pursued in the past:

(*i*) Within the overall framework of mixed economy public sector was given the role and responsibility of occupying commanding heights of the economy;

(*ii*) There was active government intervention in fields such as investment and imports, mainly through regulatory and promotional measures, such as subsidies, concessions, reservations, controls, licensing, permits and tariffs;

(*iii*) Heavy emphasis on self-reliance and high-priority to building up heavy and capital goods industry; and

(*iv*) Pursuing import substitution strategy with a view to reducing dependence on foreign supplies and achieving self-sufficiency stage over as wide an area as possible.

It was often perceived that since rural consumers largely comprised of poor, there was inadequate motivation for (rural) marketing to take shape and for corporate sector to tap rural markets. Let's see this situation. Gaikwad (1972) provided a comprehensive classification of rural consumers, as following six categories :

Category 1: A class of proprietors of land (comprising of old zamindars, malguzars, money-lenders and traders with hold over land and plantations or mine owners);

Category 2: A small group of rich farmers (generally belonging to the dominant caste of the region);

Category 3: A class of small peasants with tiny uneconomic holdings;

Category 4: A class of tenant farmers;

Category 5: A growing class of agricultural labour; and

Category 6: A class of ruined artisans and others (Gaikwad, 1972, pp. 160-161, as quoted by Jha, 1988, p. M-12).

The rural consumers as per category-1 (The landlords) and Category-2 (Rich Farmers) were few, and were largely inaccessible and less-served due to several problems of rural marketing, such as scatteredness of village, poor communication and infrastructure in rural areas. The remaining others (Category-3 to Category-6) were large chunk out of rural population, with very less per capita monthly expenditures, were "extremely poor and live most often below subsistence level. Their needs for consumer products are the bare essentials - food and clothing (Balakrishnan, 1978). Low agro-production, lack of basic amenities, facilities and infrastructure, poor communication as well as movement links. Very low purchasing power resulting in low standards of living, and blinkered attitudes of marketers were the major highlights of the rural markets four decades ago (Vyas, 1997, p. 54). Since the mid-eighties, a silent revolution has occurred in rural India. With successive years of bumper crops, an indicator of increased purchasing power and accessibility the most powerful and cost-effective communication media in the form of television, the rural consumer has begun to play a vital role. Acceptance and adoption of new agronomic practices selective mechanisation, multiple cropping to include non-food crops, and growth of dairying have resulted in a substantial increase in the disposable incomes of rural consumers (Vyas, 1997, p. 54).

RURAL MARKETING IN CHANGED SCENARIO

The rural scene is now undergoing a sea-change, resulting from the multi-pronged activities undertaken for the overall development of rural areas (Fig. 2.1). There have been significant improvements in the rural sector in respect of agricultural production, spread of education, banking facilities, electrification, transportation, communication, etc. All these changes have

Fig. 2.1: Rural Development Programmes

Plan Period	*Programmes*	*Year of Induction*
I.	Community Development Programme	1952
	National Extension Scheme	1955
II.	Khadi and Village Industries	1957
	Multi-purpose Tribal Development Block	1959
	Package Programme and Intensive Agriculture District Development Programme	1960
III.	Applied Nutrition Programme	1962
	Intensive Agricultural Area Development Programme	1964
	HYV Seeds Programme	1966
	Farmers Training Education	1966
	Well Construction Programme	1966
	Rural Works Programme	1967
	Tribal Development Block	1968
	Rural Manpower Programme	1969
	Composite Programme for Women and Pre-school Going Children	1969
IV.	Drought Prone Area Programme (DPAP)	1970
	Crash Scheme for Rural Employment	1971
	Marginal Farmers and Agricultural Labourer Scheme (MFAL)	1971
	Small Farmers Development Agency (SFDA)	1971
	Tribal Area Development Agency (TADA)	1972
	Intensive Rural Employment Programme (Pilot) (IREP)	1972
	Minimum Needs Programme (MNP)	1972
	Command Area Development Programme (CAD)	1974
V.	Hill Area Development Programme	1975
	Special Livestock Production Programme (SLPP)	1975
	Food for Work Programme (FWP)	1977
	Desert Development Programme (DDP)	1977
	Whole Village Development Programme (WVDP)	1979
	Training of Rural Youth for Self-Employment (TRYSEM)	1979
	Integrated Rural Development Programme (IRDP)	1979
VI.	Rural Landless Employment Guarantee Programme (RLEGP)	1981
	National Rural Employment Programme (NREP)	1981
VII.	Development of Women and Children in Rural Areas (DWCRA)	1985
	Jawahar Rojgar Yojana (JRY)	1988
VIII.	Scheme for Rural Artisans (all traditional artisans living below Poverty Line and bidi workers)	1992
	Rashtriya Mahila Kosh (Credit Fund for Women)	1992
	Mahila Samridhi Yojana	1992
	Revamped Public Distribution Scheme (PRDS)	1993

led to the creation of general awareness for achieving a new and better style of living. With the increased purchasing power, access to communication and awareness about modern life-styles, the rural sector needs a better marketing thrust. The recent economic policy initiatives

of the government have resulted in increased investments in the corporate sector by domestic as well as overseas investors. The growth of the corporate sector means increased production, and this, in turn, requires identification and penetration into high growth potential markets. In this context, rural markets have good prospects for most of the goods and services of this liberalized economy. It also indicates that the twenty-first century is going to see the full blossoming of the Indian rural market (Chahal and Pal, 1997, p. 223).

As change came in 1991 when Government took a series of bold initiatives to take the economy away from controls. The programme included for reaching trade, fiscal, marketing and industrial policy measures with a major thrust on improvement of competitive efficiency of Indian industries by utilizing foreign investment and technology to a much greater degree than in the past. Moreover, the new reform measures ended the regime of licensing and controls and made the industry virtually independent. Significantly, the new policy permitted the free import and export of virtually all products with some exceptions. Imports of capital goods and raw materials were made more liberal. Introduction of automatic approvals of foreign technology agreements and foreign investment, restructuring of public sector. Undertakings and the thrust on export were other measures announced by the government with a view to improve the competitiveness of Indian industries and promotion of exports. In short, the force of the new policy was more on free play of market forces instead of state control in determining the country's future growth and development. For the first time, the government came out in favour of outward oriented trade and industrial policies where export marketing was given prime importance. Under the new policy, industries could expand, modernize, diversify and internationalize their operations with greater freedom (Neelmegham, 2000, p. 5). This changed economic scenario gave further boost to marketing, and motivating the corporate sector to further stretch out to tap the so far largely untapped rural sector markets.

Economic reforms have enabled GDP to grow at an average annual rate of about 6.4 per cent between 1992-93 and 1999-2000. Consumption too has gone up - especially the consumption of manufactured FMCGs (Fast Moving Consumer Goods). For 1997-98, market size of a basket of 20 consumer expendable goods in the household sector is estimated at Rs. 801 billion (at current prices). Consumption of the same commodities was estimated to be Rs. 371 billion in 1992-93 showing an average annual growth of 16.7 per cent. These figures also indicate that per household consumption expenditure on the goods considered has doubled from Rs. 2387 in 1992-93 to Rs. 4736 in 1997-98. Rural India, in particular, with a share of over 55 per cent in total consumption of FMCGs has also witnessed a growth of about 14 per cent per annum during the same period. This seems to be a fairly good growth by any standard (Brahmankar and Gupta, 2000).

Indian market is undergoing a significant metamorphosis because of economic liberalization and globalisation. Many players (both national and global) are trying to capture the urban market of our country. But this market has already reached a saturation level and it is extremely difficult to tap the urban market with high profit margin. It is also not easy to penetrate profitably into the export market because of fierce competition. In export market, a firm has to face challenges from MNCs (Multi-National Companies), other foreign companies and domestic firms of the concerned export market. In this cut-throat competition, everybody's market share will shrink as everyone is chasing the same market (Dey Adhikari, 1998, p. 1). This realisation is forcing companies to go rural.

The 1990s have ushered in far reaching changes that influence the customer's profile and therefore the market. Literacy levels have risen (especially female literacy). The average size of

the household is reducing; nuclear families are increasing. This development has particular significance for durable goods marketers; for instance, instead of a large refrigerator for a joint family, a household may now need two or three smaller refrigerators. Also, sizeable youth segment is emerging, with it's own income or pocket money, which marketers need to recognize (Godrej, 1993, p. 155). Rural India is also in the way of change, perhaps in an even more significant manner. There has been a boom in those markets, fuelled by the penetration of media; vast improvement in infrastructural facilities, like roads, and shops; telecom connectivity, successive good monsoons; and high government spending. As a result, the rural component is now bigger than the urban in many product categories (Godrej, 1993). Gone are the days when a rural consumer went to a nearby city to buy "branded products and services". Time was when only a select household consumed branded goods, be it tea or jeans. There were days when big companies flocked to rural markets to establish their brands. Today, rural markets are critical for every marketer - be it for a branded shampoo or an automobile (Kannan, 2001). Lifestyles and habits of rural people are changing. Yesterday's luxuries are becoming today's necessities. There is a boom of (both domestic and foreign) brands of products.

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3

The Rural Consumer in India

When we attempt to draw a profile of the Indian consumer, we are on difficult territory. No comprehensive study of the Indian consumer has been undertaken so far. We have to rely on the fragmented studies that have been conducted by different agencies. .. India being very vast geographically, consumers here are naturally scattered over a vast territory. As the country is also marked by great diversity in climate, religion, language, literacy level, customs and calendards, lifestyles and economic status, here consumers present a complex and bizarre group. The heterogeneity holds many implications for a marketer, especially to those going in for national marketing (Ramasamy and Namakumari, 2002, p. 234).

GEOGRAPHICAL SPREAD

As on May 2001, the population of India stood at 1,027 million, with 742 million people living in rural areas and 285 million in urban areas. In terms of percentage, 73 per cent of the population is in rural areas and 27 per cent in urban areas.... Whereas the urban population of India is concentrated in 3,200 cities and towns, the rural population is scattered across 570,000 villages. And, of them, only 6,300 villages, or less than 1.1 per cent, have a population of more than 5,000 each. More than 3 lakh villages, or more than 55 per cent of the total number of villages, are in the category of 500 people or less and more than 1.5 lakh villages, or 25 per cent, are in the category of 200 people or less. The inference is clear; unlike urban demand, which is highly concentrated, rural demand is scattered over a large area (Ibid, 2002, p. 235 & p. 697).

SOCIO-ECONOMIC PROFILE

The rural society happens to be a tradition-bound community in which their traditions, culture and religion play a strong role in influencing their buying behaviour. This could clearly be evident in the way religious festivals, such as Dussehra, Durga Puja, Holi, Deepawali, Id, etc., are celebrated in rural India, and the way rural folk invariably visits 'melas' (fairs) on these occasions, with family, and makes purchases for these festivals. Inspite of all the legislations against, lavish spending on weddings and dowry is a reality and is expected to continue atleast for the coming one hundred years. Rural people love to stick to their cultural and traditional system.

Economic Status: Nearly 60 per cent of rural incomes comes from agriculture. Rural prosperity and discretionary income with rural consumers are thus linked to a sizeable extent with agricultural prosperity (Ramaswami and Namakumari, 2002, p. 697). Ten good rains in a row

have boosted foodgrains production from 176.4 mtpa to 202.5 mtpa. Another driver of demand: rising procurements prices; for example while during the year 1980-81 procurement price for paddy and wheat were Rs. 105/- and Rs. 117/- respectively, during the year 1998-99 the same stood at Rs. 440/- and Rs. 550/- respectively (Business World, 11 October 1999, p. 28). In rural India, more than half of the households are in the income category of less than Rs. 25,000 per annum, about 30 per cent of rural people have annual incomes ranging from Rs. 25,001 to Rs. 50,000, and about 14 per cent of them have an annual income exceeding Rs. 50,000 and going more than Rupees one lakh. Let's see the table below:

Table 3.1: Distribution of Households by Income

Annual Income (Rs.) 1995-96 prices	*Percentage*
< 25,000 (Lower)	57.2
25,001 - 50,000 (Lower Middle)	29.0
50,001 - 77,000 (Middle)	8.6
77,001 - 1,06,000 (Upper Middle)	3.1
> 1,06,000 (Higher)	2.0
Total	100.00

[*Source:* Natarajan (1998), as quoted by Velayudhan (2202), p. 33)]

There has been a market increase in the rural income due to agrarian prosperity. Besides, there are also following other reasons for increasingly better economic situation of rural people. There is a large inflow of investment for rural development programmes from government and other sources. There is also a large inflow of foreign remittances and foreign made goods into rural areas. Besides a large number of rural people also happen to be either in service with government/non-government organisations, or many of them take up part-time business/trade activity. All these reasons are responsible for growing prosperity in rural areas, and thus increasingly better economic life of rural population.

Analysis reveals that, in recent years, rural consumers have been increasingly drawn into the savings habit. As much as 70 per cent of the rural households now save a part of their income. The habit is relatively more widespread among salary earners like government staff, teachers, and self-employed non-farmers, who include in the main, shopkeepers and service providers (Ramaswamy and Namakumari, 2002, p. 697).

DIVERSITY

Rural India is culturally a diverse and heterogeneous market. This diversity is reflected in varying religious, social, cultural and linguistic factors. Rural India comprises of "627,000 Villages" (Seshan, 1998, p. 126), half a dozen religious, 33 languages, 1,650 dialects and diverse subcultures.

LITERACY

It has been estimated that rural India has a literacy rate of 28 per cent compared with 55 per cent fo the whole country. The rate is certainly on the low side. However, such statistics do not

reveal the whole picture. A number of aspects as shown below need to be emphasized specifically with regard to rural literacy (Ramaswamy and Namakumari, 2002, p. 698).

- The picture has been changing over the years. For example, a decade ago, the literacy rate in rural India was only 20 per cent;
- Year-to-year too, there is a change. Every year about eight million people get added to rural India's literate population;
- The adult literacy programmes launched in the rural areas are bound to enhance the rural literacy rate in the years to come;
- In absolute numbers, already there are more literate people in rural India (16.5 crore) than in urban India (16 crore); and
- The picture also differs from state to state and even from district to district (Ramaswamy and Namakumari, 2002, p. 689).

LIFESTYLES

The lifestyles of a sizeable segment of rural consumers has already changed significantly in recent years, and that of a much larger segment is currently going through the process of change. As such, the earlier practice of bracketing all rural consumers as people with a tradition-bound lifestyle does not hold good in the new context. The change can be attributed to several factors such as :

- Growth in income and change in income distribution;
- Growth in education;
- Enlarged media reach (particularly television);
- Growing interaction with urban communities;
- Marketer's efforts to reach out the rural market (Ramaswamy and Namakumari, 2002, p. 698).

The widespread availability of consumer products in villages during the last decade, has been changing the lives and attitudes of rural consumers. Exposure to electronic media like TV and radio has made the rural consumers more aware, conscious and discriminating. The specific changes taking place in rural purchasing patterns and habits due to the influx of consumer products in villages are now crystalising (Naik, 1997, p. 61-62). Increased incomes and improved education and awareness levels have made villagers seek a better quality of life. The desire of the rural dweller to upgrade the quality of his life, has lead to significant increases in the market sizes for consumer products. Rural consumers are becoming more knowledgeable about the availability of different brands, as increasing numbers of commercials on radio and television are educating them on the merits of various brands, leading to improved brand loyalty (Naik, 1997, p. 62).

The rural folk consciously or unconsciously are adopting modern ways of living, and this has led to a rise in the aspiration level. One can notice the 'revolution of rising expectation' among the rural people being influenced by the marketing environment. The expectation revolution has brought about a powerful change in the environmental dynamics. It has kindled their hopes, and strengthened their motivation to work, earn and consume (Sahoo and Panda, 1997, p. 71). Increase in income and improved awareness level have made villagers seek a better quality of life. This desire has led to significant changes in the market size of consumer

products. Rural consumption now covers a variety of items, from food to electronic goods (Vyas, 1997, p. 194).

In the rural households, one also finds that there is a gradual shift in the use of categories. There is an upgradation in terms of the form of the product used, for example, households are upgrading from traditional mosquito repellants such as 'gobar' to coils to mats. There is also an upgradation from local or unbranded products to national brands and from lower priced brands to premium brands. This is primarily due to the influence of the youth in the households. The rural youth are more open to fresh concepts as against their elderly family members. They are better educated and have aspirations similar to those of the youth in urban India (Joseph, 1999, p. 384). Today, the young and the educated in the villages are already large in numbers. And this number is increasing. Already, 40 per cent of all those graduating from colleges are rural youth. They are the decision-makers and are not very different in education, exposure, attitudes and aspirations from their counterparts at least in smaller cities and towns (Kannan, 2001). This has resulted in the use of more than one product/brand for the same purpose in the household. For instance, 20 per cent of the households using tooth powder also use toothpaste. The difference in choice of products has thus led to "dual-usage" of product categories (Joseph, 1999, p. 384).

USE OF DURABLES AND NON-DURABLES BY INDIAN RURAL FOLK

According to the study carried out by Natarajan (1998)..., each household in the rural area owned on an average 2.2 non-electrical durables, with the lowest income bracket having 1.5 and highest income bracket owning approximately 5.4 non-electrical goods (Velayudhan, 2002, p. 36).

Rural buyers consume certain non-durable products regularly, and this buying behaviour reflects their lifestyles. The rural household spends on an average, Rs. 3,203 per year for 22 consumer non-durables that include toiletries, cosmetics, packaged foods, washing products, etc. The average expenditure among rural households in the East was the lowest at Rs. 2,837 and in the West was the highest at Rs. 3,622 per annum for the 22 consumer non-durables. The rural household in the lowest income gorup spent Rs. 2,464 a year and the highest income group spent Rs. 8,021 a year... (Velayudhan, 2002, p. 37).

Most rural households buy toilet soap, washing soap bars, edible oil and tea. Some non-durables like lipstics, nail polish, health beverages and shampoos have very limited acceptance amongst rural consumers... (Velayudhan, 2002, p. 38). Another study published in Business World, (7-21) April, 1999, also support findings of Natarajan (1998), which is in line with the above observation. All this only gives a glimpse of lifestyle of rural consumer in today's India.

BRAND PREFERENCE AND LOYALTY

It is traditionally believed that the rural consumers largely buy unbranded products, or would simply take whatever brands are offered to them. But, a ORG-MARG survey showed a high preference of rural folk for branded products. It showed that in as many as 18 categories, branded consumption accounted for 80 per cent of their sales. These were not always national brands - regional or locally manufactured brands were found to have still counted (Business World, 7-21 April, 1999, pp. 66-70). Table below shows this situation clearly.

Table 3.2: High Preference for Brands

% Branded	*<20%*	*21-40%*	*41-60%*	*61-80%*	*81-100%*
Necessity	Non-refined Oil		Iodised Salt Tea Washing Cakes	Biscuits	Toilet Soaps Washing Powders
Popular		Coconut Oil		Blues	Analgesics Safety Razor Blades, Toothpastes, Shampoos
Premium				Vanaspati Bulbs Hair Oils	Batteries Rubs & Balms Skin Creams, Toothpowder
Super-Premium		Refined Oil	Home Insecticides		Toothbrushes Antiseptic Creams Antiseptic Liquids Chyavanprash Digestives Mosquito Repellant Shaving Preparations Tube lights

[*Source:* **Business World,** 7-21, April 1999.]

Villagers now consume everything from branded soaps to cold drinks like Pepsi to electrical appliances like high horse power tractors. Most of the manufacturers still think that urban areas are the potential markets for their products. But the studies show that the rural share has been increasing over time. The number of items which sell less than 20 per cent in rural areas has actually declined. Now rural areas absorb more of all items. The demand pattern for consumer products has also changed. So, far the country's mega marketers, the rural reach is increasingly becoming the most important route to growth. And the potential for bringing brands to the post-harvest rural consumer far outstrips the performance of corporate India. Sure companies like Hindustan Lever, Nirma, Parle Foods and Marico Industries are making inroads into the hinterland, usually displacing unbranded offerings and regional and local brands. But their ingress still remains restricted primarily to the 10 products categories with the highest penetration in the rural market. According ORG-MARG, Rural Consumer Panel, the products are as follows (Chundi, 1999, p. 30):

Table 3.3: The ORG-MARG—Business Today Rural Market Watch

Category	*Penetration*	*Brand with highest penetration*
Toilet Soaps	88.26%	Lifebuoy
Washing Soaps	87.47%	Nirma
Edible Oils	84.67%	Palmolive Anupam Mustard Oil
Tea	79.07%	Lipton Taaza
Washing Powder/Liquid	70.26%	Nirma
Biscuits	59.80%	Parle-G
Coconut Oil	53.76%	Parachute
Safety Razor Blades	45.34%	Topaz
Shampoos	38.28%	Clinic

Reference: **Business Today**—July 3, 1999.
[*Source:* **Chundi,** 1999, p. 30.]

SMALL PACK SIZES

A 10-gram sachet of jam, two slices of bread in a pack and sugar in a pouch for Rs. 2, may sound weird but this is exactly what sells in India's rural markets.....The size of the pack helps the rural consumer pick the prduct at a price he can afford.....A complete reversal from the earlier times when the biggies pushed their wares. Certain products like detergent and paste are bought in larger quantities, whereas shampoos, toilet soaps, eatables are bought in small pack sizes... The affordability, storability and availability along with usage for reasons for rural consumers to look towards smaller pack sizes (Krishnamurthy, 2002a). Taking a lesson, Colgate "has followed the very successful sachet rute by introducing the toothpowder in 10 gm. sachets of Rs. 1.50 each and the toothpaste with Super Shakti in 15 gm. packs for Rs. 3 each. The affordable pricing is something that has increased the sales in rural India and there have been many who have upgraded from toothpowder to pastes in the process (Krishnamurthy, 2002b) on the whole, it is seen that packaging innovations like sachets, and small sized pouches (portion packs) made a premium product affordable for the common man.

PLACE OF PURCHASE

Villagers purchase goods from 'Haats' and 'Melas', village retailer, mobile retail traders (hawkers), and also from nearby towns (often feeder towns), in addition to making occasional and few purchases from cities. Out of all these sources of purchase, it is estimated that (1) the villagers choose to purchase largely from 'haats'. "A study on 'haats' indicates that despite the same product being available in the village shop, 58 per cent of the rural consumers visiting the 'haats' preferred to buy these from the 'haat' because of better prices, quality and variety (Kashyap, 1998)" (Velayudhan, 2002, p. 44). (2) Then the second most-preferred place-of-purchase for villagers is the village retailer. On account of he also being in good relations with them. (3) Besides, the villagers also purchase products from nearby towns. See table below:

Table 3.4: Percentage of Products Bought from Nearby Towns Rather than the Village Itself

Category	*% Share from urban purchase*
Shaving Preparations	36.6
Rubs and Balms	32.0
Toilet Soaps	24.0
Washing Powders/Liquids	23.4
Iodized Salt	14.4

[*Source:* **Business World,** 7-21 April, 1999, p. 70.]

To sum up, the rural consumer is changing fast. One marketing man noted that, "The new rural generation is clad in Jeans and T-shirts and though it may not know Schumacher, it stands divided on Sehwag's ability to counter Glenn McGrath and Brett Lee. Magazines such as 'Debonair' and 'Fantasy' adorn the roadside market of Bikaner just as in the Book Shoppe at the airport. This clearly depicts that it is now becoming difficult to differentiate between the rural and urban class (Jejurikar, 2003, p. 46).

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4

Marketing of Agricultural Inputs

Agri-marketing has two aspects: (1) Input market, and (2) Output marketing. For producing agricultural products, a large number of inputs are needed. These include seeds, fertilizers, pesticides, agricultural implements (tractors, pumpsets, etc.), cattlefeed, poultry feed, etc. Input marketing also includes marketing of services such as diesel engine, repair, health care services. These agricultural inputs are going to be the focus of this chapter. On the other hand, output marketing includes marketing of food grains, vegetables, milk, etc. (Ramkishan Y, 2002, p. 128-129).

In the Indian marketing literature a dominant theme is agricultural marketing, focusing mainly on the marketing of agricultural produce and that of agricultural inputs. In terms of products the focus is limited to food grains, cash crops and inputs like fertilizers, pesticides, seeds and farm machinery (Jha, 1998).

Agricultural inputs can be categorised into two types: Consumable and capital inputs (Fig. 4.1). The former include manures and fertilisers, seeds, insecticides/pesticides, diesel oil and electricity. On the other hand, capital inputs include tractor, trailers, harvesters and threshers, pumpsets, and other implements.

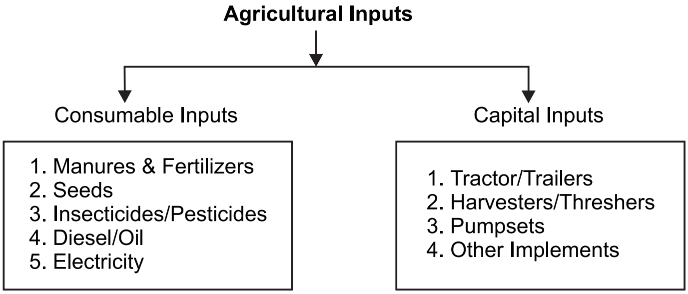

Fig. 4.1

[*Source:* Based on **Singh** (2001, p. 7).]

Output marketing is an aspect of agricultural marketing. A timely and adequate supply at fair prices of farm inputs - seeds, chemical fertilizers, plant protection chemicals, farm equipment and machinery, labour, electricity, diesel oil and credit are of great importance in the production of output. The importance of purchased farm inputs has significantly increased in the recent past with the technological break-through in Indian Agriculture (Varshney, 1997, p. 251).

According to Varshney (1997, p. 251), the importance of an efficient marketing system for farm inputs may be judged by the following:

(*i*) Farm products are produced in the countryside. The effect of change in production methods can, therefore, be realised only if the farm inputs reach the farmers in time at the least cost.

(*ii*) The use of modern inputs by farmers largely depends upon the spread of information about them. The marketing system has to perform this function.

(*iii*) An efficient marketing system for farm inputs is essential for the development of the inputs - manufacturing and supplying industries in the country.

Agricultural inputs are at the heart of rural marketing and rural development. They support farm production which is the source of income to a large rural population and help create market for other consumable and durable products in rural areas. Being industry processed, manufactured, packaged and branded products, they are vehicles of modernisation and rural development. But they differ in their market as they have a derived demand, are less frequently brought, and are expensive.

Table 4.1: Market Size of Agricultural Inputs

(Rs. Million)

Sl.No.	*Name of Inputs*	*1971-72*	*1981-82*	*1991-92*	*%*
1.	Fertilisers	50000	25000	75000	62.5
2.	Pesticides/Insecticides	400	2000	10000	8.33
3.	Tractors and Agricultural Machinery	1500	1500	10000	8.33
4.	Pump Sets, Oil Engine and Electric Motors	1000	1500	5000	4.17
5.	Seeds	8000	14000	20000	16.67
	Total	**15900**	**44000**	**120000**	**100.00**

[*Source:* **Gopalaswami,** T.P. 1997.]

Summing up, Singh (2001, p. 5) noted that "the importance of rural or agricultural marketing can be understood from the fact that today modern inputs, i.e. diesel, electricity, fertilisers, pesticides, seeds account for as much as 70 per cent of the total cash costs and 23 per cent of total costs incurred by farmers in the 'Green Revolution' areas. Further, these percentages were higher at 81 per cent and 38 percent for small farmers owing 1.85 hectares of land (Singh, 1997, quoted by Singh, 2001, p. 5). In major crops like wheat and paddy, fertilisers alone accounted for a significant part of the total cost of production in the mid 1980s itself. It varied from 7.4 per cent in M.P. to 19.4 per cent in Punjab in case of wheat and 5.7 per cent in M.P. to 15.4 per cent in Punjab in case of paddy" (Gulati and Sharma, 1992, as quoted by Singh, 2001, p.5).

MARKETING ENVIRONMENT OF INPUTS—A FRAMEWORK FOR UNDERSTANDING

The growth of input markets is influenced by a large number of price as well as non-price factors. A more comprehensive framework can be used for understanding the market environment for agricultural inputs is developing countries. The major components of this framework

are (1) The Agronomic Potential, (2) The Agro-economic Potential, (3) The Effective Demand, (4) The Actual Consumption. The market environment can be conceptualised as unfolding, through the developments within the inter-relationship between these components (Singh, 2001, p. 10). This framework is shown with the help of figure 4.2.

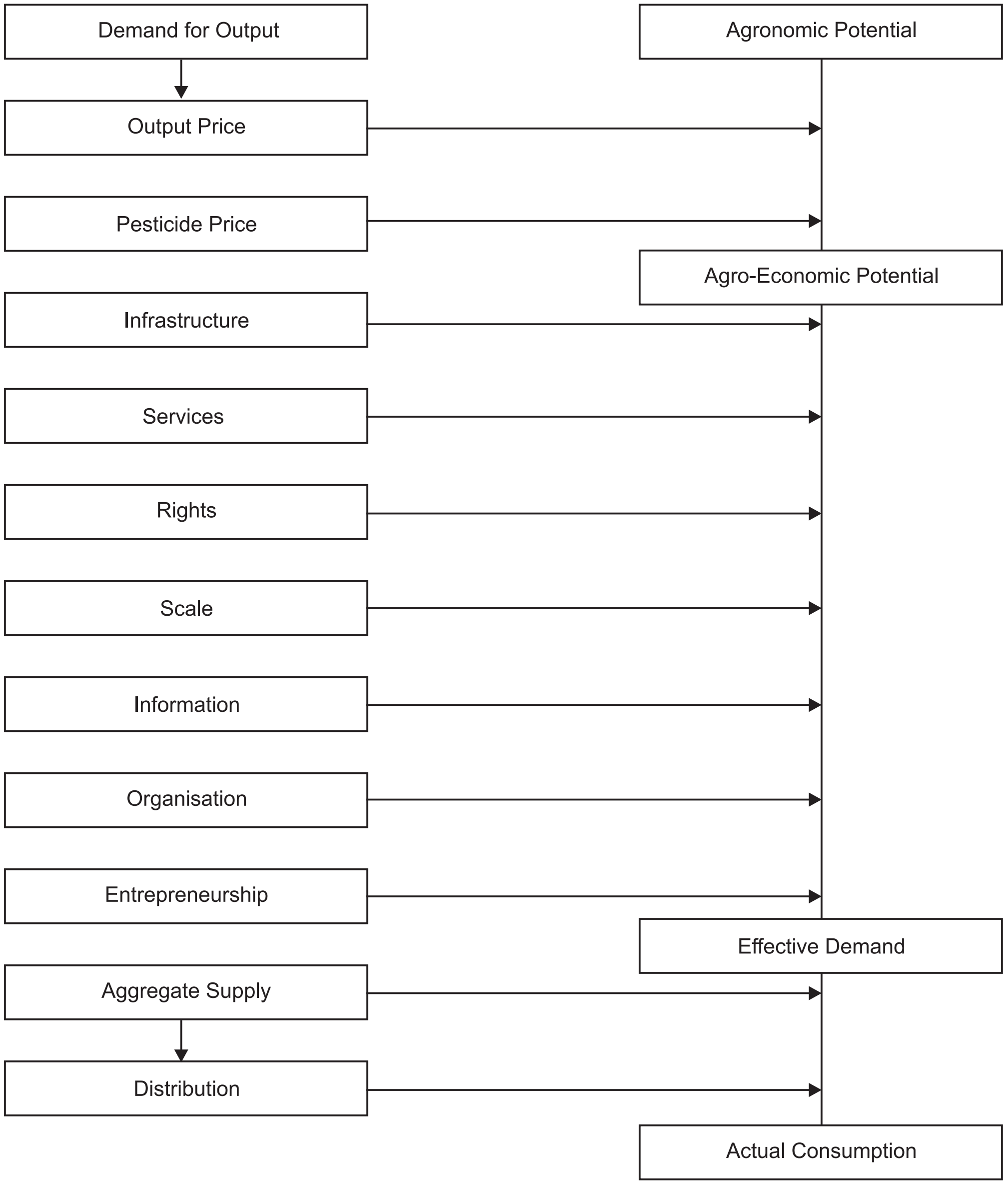

Fig. 4.2: Framework for Understanding the Marketing Environment of Inputs

[*Source:* Gandhi and Patel (1997), & Desai (1997) as shown by **Singh** (2000, p. 11).]

AGRONOMIC POTENTIAL

Agricultural inputs can be considered to be primarily yield saving or yield raising units. Their basic usefulness to the farmer and therefore their potential comes fundamentally from the quantity of yield they are able to raise or save. This gives the 'Agronomic Potential'. They may also help to 'improve quality'. They also help to 'reduce the uncertainty or risk' of obtaining good yields, especially if they are used at the onset or for prevention of disease, e.g., pesticide. Research and development is typically necessary for the creation of new agronomic potential for inputs. Expansion of irrigation raises the agronomic potential (Singh, 2001, p. 10).

AGRO-ECONOMIC POTENTIAL

Inputs are typically expensive units. Unless the output that is gained due to the use of inputs or lost due to it's non-usage which is of substantial value, else farmers will not use inputs. the price of the output must be significantly high relative to the price of the input for agronomic potential to be transformed into 'agro-economic potential'. Thus, output markets and demands become important determinants of agro-economic potential. Inputs to be used are typically more in high value cash crops and commercialisation of agriculture which expands the potential for input use. (Singh, 2001, p. 12).

ACTUAL CONSUMPTION

Even when effective demand has been created, it's actual consumption may be strongly restricted unless there is :

(*a*) *Aggregate supply:* either through 'production or import'. Factors that determine this are: investment in production, the investment environment, government policies, foreign exchange situaiton and other factors such trade barriers and intellectual property rights protection, among other things (Singh, 1997, p. 12).

(*b*) *Distribution:* A large efective distribution system is developed for catering to small farmers scattered over a large area. This is especially difficult in the early stages when the volumes are small (Desai, 1997, as quoted by Singh, 2001, p. 12).

DEMAND, MEDIA AND COMPETITION

Unlike consumer products, agricultural inputs are 'derived demand products'. The inputs are demanded not individually but a package because one input decides the need for other inputs. Thus their demand complements each other. For example, a local or hybrid seed will determine whether to use a fertilizer or a pesticide, in the required quantity and quality. Further, the demand for inputs are dependent upon: (*i*) weather in a season; (*ii*) cropping pattern changes; (*iii*) nature and health of the crop; and (*iv*) other facilities like government price policy , subsidies, loans and physical facilities for the product (Singh, 2001, p. 8). The demand keeps changing from season to season, month to month and even week to week (Yadav, 1993, quoted by Singh, 2001, p.8).

Opinion makers/leaders are a good promotional media. They are relatively experienced users and influencers who prevail in these markets for various reasons (Karunakaran, 1993). The retailers play an important role in pushing the products as they hold the faith of farmers who themselves are not too familiar with the product and it's usage. Therefore, the retailers become the ultimate sellers of the product. A good quality product may fail, if it does not get the support from retailers. 'Kisan Melas' and other rural fairs, which are increasingly becoming important means of marketing, give the farmers an opportunity to do comparative analysis of 'products' and 'brands'. The farmers are always in a receptive mood to learn and try new products. The companies can get feedback on products, channels and promotional tools. Now sales leads can be generated and new product ideas can be obtained from the farmers in terms of need and local innovations (Singh, 2001, p. 9).

The Multi National Companies (MNCs) are placing new demands before the farmers in terms of the crop varieties and quality required, luring them to work with them, and make money out of farming. This is done through contract farming, joint ventures, leasing of land, and extension to the loosely contracted farmers in a given area. The MNCs are directly competing with the farmers, in some crops, forcing them to become agribusinessmen who use modern and better inputs. Globalisation of rural production processes and privatisation of various systems is bringing about this change in the whole approach to farming. There is also competition from substitutes like bio-fertilisers and bio-pesticides in fertilisers and pesticides markets respectively. (Singh, 1997, p. 9-10).

MARKETING OF CONSUMABLE INPUTS

Marketing of Seeds

Historically, the importance of seed has been recognised since the Vedic times for increasing food production and quality. However, organised production of supply of quality seed at the national level started in 1963 as a consequence of the introduction of hybrid technology during 1961-65. The release of high yielding dwarf varieties of wheat and rise by the mid 1960s gave further impetus to the growth of the seed industry. During this period Seed Review Team was constituted and Seeds Act, 1966, was enacted, and National Commission on Agriculture was formed. During this period, the private sector took significant steps into seeds business. In 1987 MRTP/FERA companies were granted permission for investment in seed sector. In 1988 New Policy on Seed Development was introduced. This new policy encouraged global seed companies to enter the seed business in India (Barwale, 2002, p. 213).

Seed Companies

Around 1997 there were more than 150 seed firms in India (Shiva and Crompton, 1998). Barwale (2002, p. 213) noted that there were approximately 140 seed companies only in the private sector, that included national, global, regional and other seed producing and/or selling companies. Besides, there are about 10,000 dealers and distributors of seeds across the country (Singh, 2001, p. 15).

Following major categories of seed companies operate in India:

- **Seed Firms without R & D:** Which only multiply certified seed of superior varieties/hybrids developed by public sector R & D systems;

- **Seed Firms with R & D:** Which have initiated plant breeding research to involve superior hybrids, through their own R & D programmes, while still primarily engaged in multiplication of seeds developed by the public sector;
- **Multinational Company (MNC) Subsidiaries:** Which obtain breeding material from their parent companies, isolate adaptable lines, make crosses and develop superior hybrids, without disclosing their pedigree;
- **Joint Sector Firms:** Involve both private and public capital, that multiply seeds of only publicly bred hybrids/varieties; and
- **Public Sector Firms:** Government seed enterprises which primarily play the role of developing seed trade, maintain foundation seed stocks for sale, and Inter-state marketing of HYV seeds. These include National Seeds Corporation and various seed agencies (Basant, 1995, quoted by Singh, 2001, p. 15-17).

Private sector companies takes away large chunk of seed business. These companies are more customer/market oriented innovative, qualitatively and in managerial terms. for instance see (Cromwell (1996), and is playing a lead role in developing plants through biotechnology and tissue culture (Chauhan, 1997).

Marketing of seeds is an area that needs careful analysis based on following four parameters: (1) Production, (2) Pricing, (3) Distribution, (4) Promotion. Based on the comprehensive survey by Singh (2001) these aspects are elaborated as under:

Production

Production of seeds is carried out in a decentralised manner on individual farms. The certified/truthfully labeled seeds are produced by contract growers, either selected from a number of villages scattered over a large area, or a few villagers are selected for intensive coverage. The seed companies enter into a contract with the growers for production and supply of quality seed. The growers bear all costs and all risks. They are paid at a pre-agreed price only after the quality of seed is tested and for quantity that passes through these tests. If germination of parent seed/foundation seed goes down to 70 per cent or lower, the growers are advised to 'plough down', for pursuing the production till the end would be uneconomical. No compensation is paid for this 'plough down' of the crop. The land facility for contract production of seeds is obtain in following ways: (1) **Lease System**: In which seed company takes land on lease, supplies all inputs, and undertakes risk of seed production; (2) **Collaboration:** In which one company collaborates with another for procurement of raw seeds; (3) **Seed Grower:** Under which a seed grower for procuring raw seed; and (4) **Seed Production Organisers (SPOs):** In which companies appoint commission agents called SPOs to identify growers and secure their area commitment for seed production of variety hybrid during the season.

Following are the trade practices in seed industry involving the growers, the SPOs (Seed Production Organisers), and the seed company. They are as follows: (1) Foundation seeds are supplied to growers; by the seed company, cost of which is borne by growth. (2) Growers bears all operational expenses, generally (except under lease system of production. (3) Financial inputs (in form of credit, loan, etc.) is provided to grower. (4) Technical inputs and guidance is provided by the SPO (Seed Production Organisers). (5) Transport is arranged by the grower, generally. (6) Processing facilities are fixed by the SPOs. (7) Packing material is also arranged by the SPOs. (8) Quality testing is done by the company. (9) Cost of rejection of seed (after quality testing) is borne by the grower. (10) Processing expenses are

borne either by SPO or the grower. (11) Procurement (minimum) price is decided collectively by Seedsmen Association, SPOs and growers. (12) Procurement and payment is as per pre-agreed terms (Kumar and Baarua, 1998, Quoted by Singh, 2001, pp. 28).

Pricing

Pricing strategies depend on (uncertainties) in demand and government intervention (in pricing of seeds produced by public sector organisations) which varies from state to state. Pricing strategies of private sector are also influence by the pricing structure following by the public sector. However, the final marketing price of certified seed is the result of components as follows: (1) Seed Price, (2) Price paid to the seed growers for raw seeds, (3) Storage and processing costs, (4) Transport, distribution and marketing costs. Supply and demand obviously influences pricing. Time trend and prices of other farm products also need to be considered prior to pricing. Shiva and Crompton (1998) have provided some insights into pricing strategies in seeds sector.

Distribution

Companies have a network of distributors and dealers. Public sector markets through (1) dealers in private sector, (2) dealers in cooperative sector, (3) sale points and depots, (4) departmental sales. The distributors, dealers and retailers are paid commission by the companies on sale. Demand of seeds fluctuates depending on season, monsoon, etc. Therefore, seed marketing at the micro level involves matching of farmers needs with timely seed supply, and ensuring adequate supply much ahead of the season. Storage at distribution points close to distributors/dealers has to be ensured. Singh and Seetharaman (1990) provide insights into how important is management of seed distribution. Proper storage of seeds is necessary. Hence, buffer godowns with proper storage condition is a must in end-use area.

Promotion

The demand for hybrid seeds is largely dormant and has to be awakened by creative use of promotional tools that reach the cultivators. Customer contact programme has to be launched. Promotional media has to be effectively used to encourage purchase and to stimulate awareness, free samples of seeds can be distributed to farmers. Video shows, exhibition, 'Krishi Melas', mobile vans, and wall trolley painting are the most commonly used promotional tools by seed marketing firms. Many companies resort to advertising on TV. Advertising in radio is a cost-effective way of reaching farmers. Newspapers also can be given. Cinema slides can focus on local conditions, local dealers and seasonal crops. Hoardings in bazaars, bus stands, etc. can be put up. Effectiveness of glow signboard, dauglers, calendars and stickers can also be explored. Posters, hand-bills can also be used for IEC (Information, Education and Communication).

Post-sales service, including technical help should also be provided and follow-up of complaints about seed quality, etc., should be done. Farmers behaviour should be understood. Seed Replacement Rae (SRR) is very important for a seed firm, for more time the farmers goes for replacement of seed that he uses, more will be the demand for that firm's seed. Singh and Ashokan (1994) has dealt with SRR in length. Demand Forecast is also an essential element to estimate the production requirements. Companies undertake forecasting exercise for each crop district-wise. Forecasting can avoid over or under production, maximising net returns,

and helps arranging logistics, working capital and decisions on payment. Forecasts can be short-term, medium-term, or long-term forecasts.

FERTILISERS MARKETING

The fertiliser industry is perhaps the most controlled industry in India. The government fixes the selling price the industry is extremely efficient in areas where it can control costs. However, the areas such as feedback, are not within the industry's control and area arguably high. Since the selling price is invariably less than the reasonable cost of production and distribution, the government has to reimburse the fertilizer units the difference between the cost of production (as determined by the government), and the selling price (which is also determined by the government). This reimbursement of uncovered cost constitute the subsidy on fertilizers, which is passed on to the farmer. Over the years, the gap between the selling price and cost of production has been increasing, requiring the government to pay heavy reimbursements to fertilizers units. In the light of the government's anxiety to reduce the reimbursement/outgo, several adverse decisions, mostly on a piece-meal and adhoc basis, have been taken which have severely impacted the financial performance of the fertilizers companies and threatened their long term viability (Mosilamani, 2002). However, present level of fertiliser consumption in India is still very low. On the 70 per cent of fertiliser is consumed in irrigated areas only in states of U.P., AP, Maharashtra, Punjab, West Bengal and Karnataka. Besides this, about 2/3rd of the fertiliser consumption is in cereal crops mainly rice and wheat (Chauhan, 1997). Only about 25-30 percent of feriliser used, goes to small and marginal farmers. It is important to note that more than 70 per cent of holdings in India are below 2 hectares (Singh, 2001, p. 57). Hence, there is enormous potential of marketing of fertilisers in the unexplored areas.

The Product

In efficient and imbalance usage of fertilisers by farmers, due to over or under-usage and method of application, is a problem in the products that creates problems for the soil and the crops in the relatively longer term. Other ill effects of the product area; pest growth, weed growth, soil fertility decline, and soil texture damage. According to Shah and Sah (1996) all this because the recommended practices for fertiliser use and cropping methods are not followed by the farmers.

Distribution

In the total channel of fertiliser distribution in India, private dealers and distributors play a prominent role, and distribute (perhaps largest amount of fertilizers) through 70 per cent or more of private sale points. Cooperative institutions have 30 per cent or less sale points (presumably selling less fertilizers compared to private dealers and distributors). Further, each dealer distributes products of many companies. It is, therefore, clear that the share of cooperatives in fertiliser distribution has been declining.

Obviously, the cooperative marketing system suffers from several constraints leading to this result, which are as follows: (1) low and inadequate distribution margins to lower level societies; (2) unable to compete with private trade; (3) high rate in interest on fertiliser credit; (4) high cost of operation due to locational disadvantages; (5) lack of single window approach; and (6) poor management and lack of professionalism (for instance, seed Singh, 2001, p. 61).

Table 4.2: Fertiliser Sale Points in India

Year	*Cooperatives*		*Private*		*Total*	
	No.	*% age*	*No.*	*% age*	*No.*	*% age*
1994-95	79460	31%	179560	69%	259020	100%
1995-96	75093	29%	184158	71%	259251	100%
1996-97	70648	27%	191259	73%	261907	100%

[*Source:* FAI, New Delhi: Fertiliser Statistics, 1980-90 and 1997-98 modified from data quoted by Singh (2001, p. 59).]

Channels of distribution adopted by private sector, cooperatives and agro-industrial corporations, is shown in figure below. The total domestic production and imports in distributed: (1) by Apex-level cooperative federation through district level, Taluka level and village level. Primary Agricultural Cooperative Societies (PACS), the ultimate units in cooperative structure; (2) by apex level Agro-Industrial Corporations, through district agro centres, and private trade; (3) by private marketing companies, either through wholesalers and retailers, or through company agro-services centre, ultimately reaching the farmers.

The pattern of fertiliser distribution in cooperative sector varies from state to state. Generally the cooperative network operates through a 3-tier system (in some states 4-tier or even 2-tier system). The village level Primary Agricultural Cooperative Societies (PACS) are the ultimate units in the cooperative structure, adding as retail sales points. Fertiliser business of State Agro-Industrial Corporations (SAICs) still contributes a significant percentage to the total turnover. These SAICs market the fertilisers (*a*) either exclusively through private trade, (*b*) or through Agro-Service Centres (ASCs), either owned by the corporation or run by the entrepreneurs/dealers promoted by SAICs; (*c*) or a combination of (*a*) and (*b*). Gujarat State Fertiliser Company (GSFC) first released the importance of promotion of package input and improved agricultural practices and started 22 Farm Information Centres (FICs) in 1968, acting as the nucleus of all extension, promotion and rural development activities of the company. IFFCO and KRIBHCO, major producers in the cooperative sector, operate a total of 227 Farm Service Centres (FSCs), which are 60 per cent of total in the country. Out of these 175 belong to IFFCO and rest to KRIBHCO. The 40 Shaktiman Krishi Sewa Kendras (SKSKs) of Indo-Gulf Fertilisers and Corporate Bulists Chemicals Ltd., are owned and operated by the selected dealers and not by company staff. The SPIC Agro-Service Centres are run by franchise agents. SPIC also has rural development centres. All of these helps in promotion activities. (Singh, 2001, p. 58-63).

PROMOTION AND EXTENSION

While sales promotion aims at increasing sales of goods and services, fertiliser extension encompasses all tools of persuasive communication to (*a*) create awareness about fertiliser, (*b*) develop and strengthen their use, and (*c*) make potential buyers (farmers) and service them. They are also 'extension education programmes'. The conventional methods of fertiliser extension used by different companies are of two kinds: (1) Direct communication (with contact programmes), and (2) Indirect communication (by use of all traditional and non-traditional

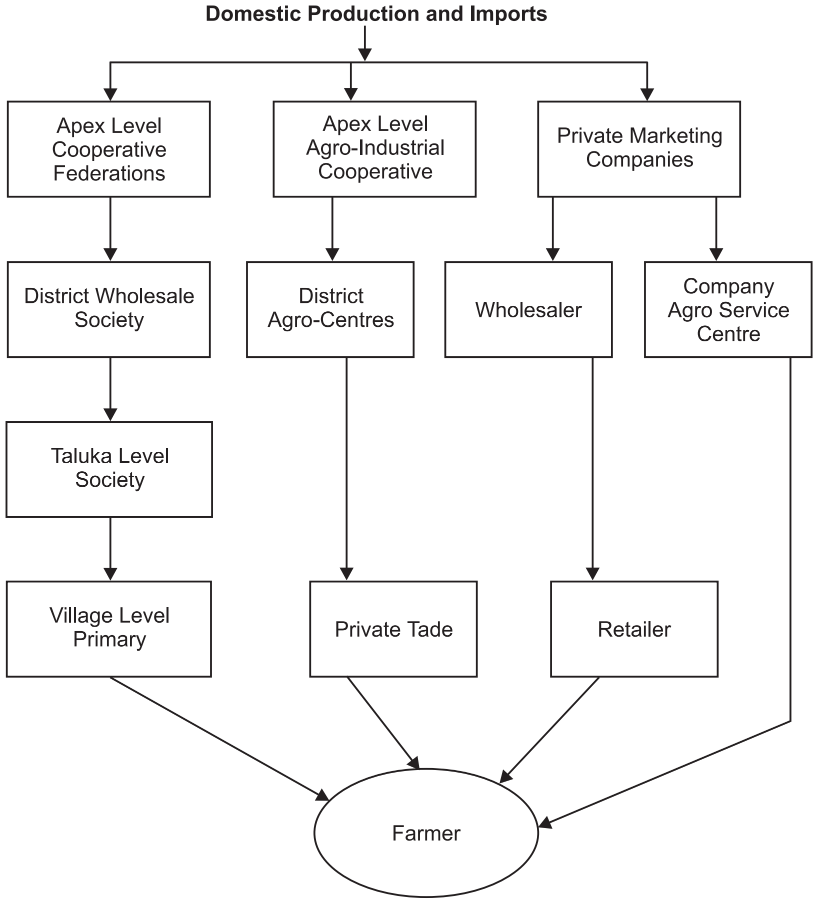

Fig. 4.3: Distribution Channels for Fertilisers

[*Source:* **Chakraborty**, 1996, quoted by **Singh**, 2001, p. 60.]

media). An array of almost all of these fertiliser promotion media had been in use during the 1970s (Singh, 1997, p. 71). A look at the milestones listed by Tandon and Narayan (1990) showed that fertiliser promotion and extension activities in India have had an excellent progress, and have shown results.

Sales promotion helps converting potential buyers into actual consumers. The basic components of a promotional programme are: (*a*) the communication, (*b*) the message, (*c*) the media, and (*d*) the target audience. In case of fertilisers in India, following agencies make communication with audience: (1) the government (both at the centre and the states), (2) fertiliser industry, (3) university extension services, (4) non-governmental (voluntary organisations), and (5) ICAR (India Council of Agricultural Research) Institutes.

Following are the various methods of fertiliser extension and promotion:

1. **Direct Communication:** With farmers by way of crop demonstrations (methods and result), farmer's meetings' (training programmes (crop seminars), field days, farmer's conducted tours, farm advisory services, exhibitions, etc. and

2. **Indirect Communication:** Through press, radio, TV, slides, films, literature, posters, charts, ready reckoners, balloon hoisting, dealer's training, product display and other displays at dealer's premises, drama or one act plays, puppet and magic shows, folklore and music, audio-visual vans, etc. (Singh, 2001, p. 68).

MARKETING OF PESTICIDES

Pesticides are a group of chlorine agents used in: (*a*) **Plant Protection:** For treating the soil against nematodes before sowing, treating the seeds against seed-born diseases; and for treating standing crops against damage from pests, insects, rodents, etc.; (*b*) **Public Health Programmes:** The origin of the pesticide industry can be traced back to World War II. In 1948, the country imported DDT for malaria control. The agricultural use of pesticides began a year later when BHC was imported to control the locusts (EIW, 1996); and in (*c*) Fumigation of storage godowns for protection of agricultural crops. The agricultural use of pesticides grew steadily between 1965 and 1990, when it had a share of 60 per cent of the total consumption, leaving the remaining 40 per cent for non-agricultural uses. The consumption level of pesticides is much lower i.e. 0.47 kg./hectare per annum, and at around 90,000 tonnes (Bog, 200, quoted by Singh, 2001). Accordingly, pesticides are divided into five broad groups; (1) Insecticides, (2) Herbicides/weedicides, (3) fungicides, (4) fumigants, and (5) rodenticides/others.

Large part of pesticides are used for cotton, paddy, and also for fruits and vegetables (Gopalaswamy, 1997, p. 57, quoting from 1984/85 figures). The demand for pesticides is also concentrated largely in the two states of Andhra Pradesh and Punjab, together accounting for 43 per cent of total consumption (Chauhan, 1999). Of the total consumption followed by 22 per cent for fungicides, for the rest little for other categories (Bog, 200, quoted by Singh, 2001, p. 86-87). This is the profile of the market in India.

Table 4.3: Statewise Consumption of Agro-chemicals

Sl. No.	*State*	*Proportion of Total (%)*
1.	Andhra Pradesh	33.6
2.	Karnataka	16.2
3.	Gujarat	15.2
4.	Punjab	11.4
5.	Maharashtra	5.1
6.	Haryana	4.7
7.	Tamil Nadu	3.6
8.	West Bengal	2.9
9.	Orissa	2.0
10.	Uttar Pradesh	1.7
11.	Kerala	1.3
12.	Madhya Pradesh	1.0
13.	Bihar	0.8
14.	Assam	0.3
15.	Himachal Pradesh	0.1
16.	Rajasthan	0.1
	Total	**100.00**

[*Source:* **T.P. Gopalasami** (1997).]

Table 4.4: Agro-Chemicals Consumption

Sl. No.	*Crops*	*Proportion of Area under the crop (%)*	*Proportion of consumption to total (%)*
1.	Cotton	5.0	27.0
2.	Rice/Paddy	24.0	27.0
3.	Plantation	0.5	15.0
4.	Vegetables	1.7	12.0
5.	Sugarcane	1.8	4.0
6.	Oilseeds	10.0	4.0
7.	Wheat	10.0	3.0
8.	Others	47.0	8.0

[*Source:* **Gopalaswami**, T.P. (1997).]

DISTRIBUTION

Like the fertilisers, the distribution of pesticides is carried out through state departments, cooperatives and private outlets. As would be seen from the figure below, the distribution system of pesticides is such that out of the total production for domestic sale and import, at least 50 per cent is sold through non-associated formulators, and less than 50 per cent of it is sold through associated formulators. From this channel, through the wholesaler, and retailer, the pesticides reach the end user/farmer. As has been made clear by Singh (1992), the supply side is characterised by Technical Grade Manufacturers (TGMs) and Formulators. A TGM is supposed to supply at least 50 per cent of it's produce to non-associated formulators. This makes a single technical grade available under separate brand names. Sometimes there may be over 50 brands for a single technical material. On the demand side, a single pest could be treated by several technical compounds and therefore, total options available to the buyer could be quite large. The small sector is only engaged in making formulations. Whereas the large scale sector is only engaged in making formulations. A formulator is generally in a me-too category, an entrepreneur, has a low technology of milling ingredients, is small scale, with low financial resources, sells in limited area of a state, has wide range of product linkages, has tremendous production flexibility, and does not get affected seriously by discontinuation of product (Singh, 1992).

PRODUCTION

Following activities can be undertaken for market development and promotion of pesticides for agricultural use: (1) Field demonstrations: to educate the farmers of practical aspects of new application; (2) Exposure trips: to research farms; (3) Meetings of/with farmers; (4) Training camps for farmers; (5) Kisan Melas (fairs); (6) Television and Radio programmes; (7) Video Shows: considering the illiteracy among farmers; (8) Pamphlets, handbills, leaflets; (9) Wall paintings; (10) Local media; such as street plays (Nukkad Natak), dramas, festivals and religious fairs, for advertising the products.

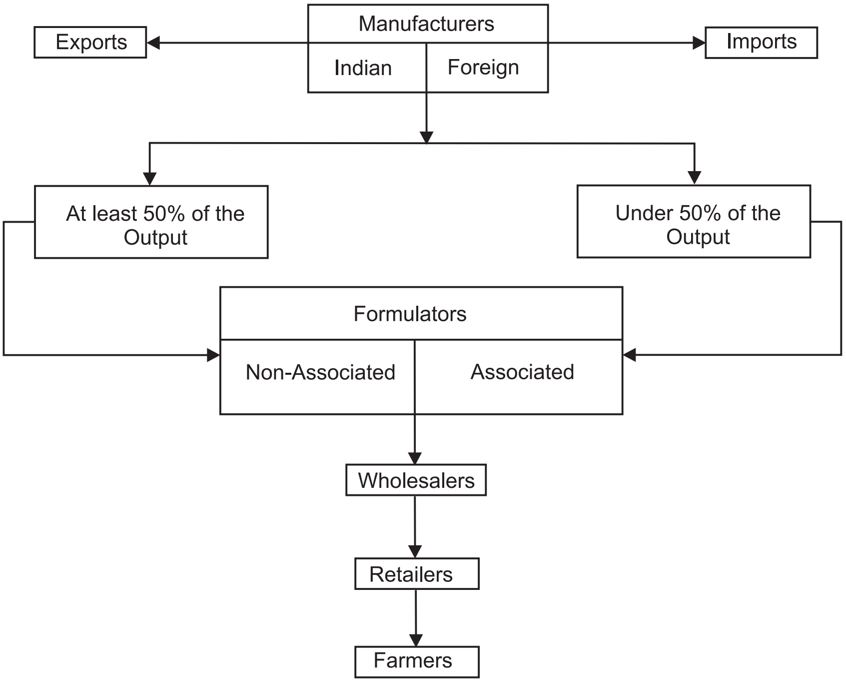

Fig. 4.4: Distribution System of Pesticides

[*Source:* **Srivastava** and **Patel** (1990), as shown by **Singh** (2001), p. 93.]

BIO-PESTICIDES

Bio-pesticides available in India are mostly "Neem"-based products. Neem is available in plenty and is a part of Indian culture. They are less costlier, have larger shelf-life, and can be used as broad-spectrum pest control agents. Bio-pesticides are mostly Agro-biotech products. Regional companies are pre-dominantly active in bio-pesticides business. None of the big players of pesticide industry are present in Bio-pesticides business. Most of these (regional) bio-pesticides companies cater to specific markets requirements and distribution is limited to state. They are more closer to customers and have flexible operating structure. However their resources are limited. Table below lists major bio-pesticides players and their products.

Table 4.5: Major Bio-Pesticides Players and their Products

Company	*Products*
• Murkumbi Bioagro	• Rakshak, Rakshak Gold, Bio-lure
• EID Parry	• Neemazal
• Pest Control of India Ltd.	• Heliscoverpa, Spoodopetra
• Agriland Biotech Pvt. Ltd.	• Monitor, Vanguard, Virin-H, Horse-Power, Spectrum
• Tropex Agrochemicals	• Neepex
• Ganesh Biocontrol	• Pheromone Traps, Biokill
• Margo Bio-Control Pvt. Ltd.	• Ecoderma, Econeem

[*Source:* **Singh** (2001), p. 98.]

MARKETING OF TRACTORS

The application of modern technology to various agricultural operations has now come to stay. In many important agricultural operations, the use of outdated technology such as bullock-driven ploughing and manually operated sowing, reaping, transplanting, threshing, harvesting, etc. has given way to user friendly machines such as tractors, power-tillers, threshers, sprayers, transplanters and other power driven equipments and implements. The draft of the National Policy of Agricultural Mechanisation, prepared by the Central Council for Agricultural Mechanisation, set up by the Ministry of Agriculture, 1998, observed that with the emphasis on timeliness precision and general improvement in the quality of work, farm mechanisation has resulted in increase in employment. In fact, tractorisation has been recognised as a vehicle for removing the drudgery and increasing the level of farming so as to improve the life and work environment of farmers (Nair, 2002).

More than 95 per cent of the farmers avail of bank credit for the acquiring tractors and implements. Only a small portion of the annual sale of tractors (5-10 per cent) takes place without credit support and the same is accounted for the tractors purchased by Government agencies, corporate bodies and non-agricultural users. The demand for tractors from industrial farmers is highly elastic to bank credit (Nair, 2002).

The tractor market segments can be in terms of the power configuration. In India there are five categories based on engine horse power (HP) - Under 20 HP, 21-30 HP, 31-40 HP, 41-50 HP and over 51 HP. Of all these, as much as 61 per cent (some say, even 80 per cent) of the total sales is accounted for the 31-40 HP segment (Table 4.6, 4.7, 4.8, 4.9, 4.10 and 4.11) capacities of tractors and the collaborations with foreign firms are shown in table 4.12, 413. Till recently, maximum number of tractors have been sold in the belt consisting of Punjab, Haryana and Uttar Pradesh (60 per cent). The Indian tractor industry has been traditional dominated by six major players: (1) Mahindra & Mahindra, (2) TAFE, (3) Escorts, (4) Eicher, (5) HMT, and (6) Punjab Tractors Limited. Besides there are other small players, viz. (7) Gujarat Tractors, and (8) Haryana Tractors. The overall market leader is Mahindra & Mahindra with it's market share of 27.52 percent, in three major categories, viz., 25 HP, 35 HP, 45 HP. (Singh, 2001, pp. 111-115).

Table 4.6: Sale of Tractors

Company	*FY93*	*FY94*	*FY95*	*FY96*	*FY97*	*FY98*	*FY99*	*FY2000*	*CAGR (%)*
M & M	34,051	32,875	41,008	50,077	57,359	67,779	69,360	70,595	11.0
PTL	16,421	18,211	23,211	26,317	33,034	40,425	48,336	50,705	17.5
Escorts	28,557	27,955	34,625	38,517	43,442	48,329	45,010	52,010	8.9
TAFE	26,660	24,250	28,224	36,370	43,585	49,160	46,462	45,432	7.9
Eicher	20,579	17,651	18,171	21,075	23,124	24,255	25,281	22,629	1.4
Others	17,345	17,122	19,070	18,907	20,372	24,301	27,542	28,164	7.2
Total	**143,613**	**138,064**	**164,309**	**191,263**	**220,916**	**254,249**	**261,991**	**269,535**	**9.4**

Table 4.7: Market Share of Tractors

States	*1990*	*1994*	*1998*	*1999*	*CAGR (%)*
Punjab	22,026	26,636	31,644	31,047	3.9
Haryana	15,307	16,579	22,711	21,877	4.0
UP	31,233	30,656	50,433	59,211	7.4
Bihar	4,891	2,900	10,282	12,875	11.4
Rajasthan	9,315	11,129	25,152	24,054	11.1
MP	10,018	11,418	32,250	32,711	14.1
Andhra Pradesh	5,395	5,881	11,171	9,862	6.9
Gujarat	6,508	10,033	21,501	22,208	14.6
Maharashtra	5,737	6,730	15,059	16,011	12.1
Karnataka	3,665	5,179	10,176	6,501	6.6
Tamil Nadu	3,864	7,030	10,392	7,369	7.4
Others	3,147	3,887	9,608	11,145	15.1
All India	**121,106**	**138,058**	**250,379**	**254,871**	**8.6**

Table 4.8: Region Wise Market Shares

Region	*FY94 market share*	*FY99 market share*
North	54%	41%
Central	18%	27%
Western	12%	15%
South	16%	17%

Table 4.9: Market Share of Tractors

Company	*1994*	*2000*	*Shift (%)*
Eicher	13%	8.7%	
Escorts	20%	19.9%	
HMT	11%	6.0%	
M&M	24%	27.1%	
PTL	13%	19.4%	
TAFE	17%	17.4%	
Others	2%	1.5%	

Source: TMA/Industry sources

Table 4.10: Major Markets for Tractors

Tractor Power (HP)	*Major markets*
Less than 30 HP	UP, MP, Rajasthan, Haryana and Bihar
31-40 HP	MP, Rajasthan, Punjab, UP, Haryana, Gujarat and Bihar
41-50 HP	Punjab, MP and Rajasthan
More than 51 HP	Punjab and also some volumes in Kerala and Maharashtra

Source: SIAM/TMA

Table 4.11: Horse Powerwise Market Share of Tractor Brands

Market share (%)	*< 30 HP*	*31-40 HP*	*41-50 HP*	*> 51 HP*
Eicher	27.6	2.7	—	—
Escorts	16.5	15.6	50.2	—
Gujarat Tractors	0.37	0.06	1.3	1.1
VST	1.2	—	—	—
HMT	8.0	5.6	3.7	25.4
Mahindra & Mahindra	26.0	26.2	34.9	—
Punjab Tractors	8.4	25.0	0	73.6
TAFE	7.7	25.0	9.8	—
Total	**100**	**100**	**100**	**100**

Table 4.12: Production Capacities of Tractors

Company	*1999*	*2000*
Bajaj Tempo	6,000	6,000
Eicher	45,500	45,500
Escorts	56,250	56,250
HMT	18,000	18,000
M & M	77,000	89,500
Punjab Tractors	50,000	72,000
TAFE	37,800	37,800
L & T John Deere	0	10,000
Ford New Holland	0	18,000
Total	**290,550**	**352,250**
Total Production	**253,904**	**267,356**

Source: TMA/Annual reports

Table 4.13: Collaboration and Year of Commencement of Production of Tractors

Manufacturer	*Collaborator*	*Year*
1. Eicher Tractors Ltd.	Gebr, Eicher Tractorenfabrik West Germany	1961
2. Gujarat Tractors Ltd./Tractors and Bulldozers Ltd.	Motokov-Praha, Fzechoslovakia	1963
3. Tractor and Farm Equipment Ltd.	Messey Ferguson, UK	1961
4. Escorts Ltd.	Moloimport Warazawa Zaklady Mechaniczne Ursus, Poland	1964
5. Mahindra & Mahindra Ltd./ International Tractor Co. of India Ltd.	International Harvesters, UK	1965
6. +Escorts Tractors Ltd./ Escorts Ltd. (Farmtrac Division)	Ford, UK	1971
7. Hindustan Machine Tools Ltd. (Central Sector PSU)	Motokov-Praha, Fzechoslovakia	1971

Table 4.13 contd.

Manufacturer	Collaborator	Year
8. *Kirloskar Tractors Ltd.	Klochner-Humboldt Deutz, Germany	1974
9. Punjab Tractors Ltd. (State Sector)	CMERI, India	1974
10. *Pittie Tractors Ltd.	Own know-how	1974
11. *Harsha Tractors Ltd.	Motoimport, Russia	1975
12. *Auto Tractors Ltd.	British Leyland, UK	1981
13. **Haryana Tractors Ltd./ Pratap Steel Rolling Mills Ltd.	Own know-how	1983
14. VST Tillers & Tractors Ltd.	Mitsubishi, Japan	1983
15. *United Auto Tractors Ltd.	Uzina Tractorul, Romania	1986
16. *Asian Tractors Ltd.	Own know-how	1989
17. Bajaj Tempo Ltd.	Own know-how	1997
18. International Tractors (Sonalika) Ltd.	Own know-how	1998
19. New Holland Tractor (India) Pvt.	New Holland Tractors, Italy	1999
20. Larsen & Tubro Ltd.	John Deere, USA	1999
21. Greaves Ltd.	Same Deutz-Fahr, Italy	1999

* Currently not in production + Now producing farmrtrac tractors
** Have been producing small quantities on “On & Off” basis.

Case 1: Punjab Tractors

The Tractor Industry is divided on the basis of the power of the tractor engine expressed in HP (horse power). The market has gradually shifted to the 31-40 HP category. This gradual shift is due to shifting of sales from northern states to other parts of the country. With an increase in irrigated-cropped area, the number of tractors started increasing in west and south India. Tractor sales gained momentum in states like Madhya Pradesh, Maharashtra, Gujarat and Rajasthan since last few years. There are five major players of tractor viz. Mahindra & Mahindra, Punjab Tractors, Escort, TAFE and Eicher. The market share in April-July, 2000 shows:

M & M	38%
Punjab Tractors	21%
Escorts	19%
TAFE	13%
Eicher	7%

Punjab tractors has shown negative results of sales, mainly in its traditional markets of Punjab, Haryana, Gujarat and Madhya Pradesh and stagnating sales in Maharashtra and Bihar due to drought conditions. The company expended its network of dealers and has improved market share earlier from 18.9 per cent to 21 per cent in 2000. A new model, the ‘Swaraj’ 744 was also introduced in the market in the 40-50 HP range category. This has led to a greater demand for tractors which contributed to the increase in sales volumes in 1999-2000.

Questions

1. Suggest marketing plan for marketing of Eicher Tractor in rural U.P.

(*Contd.*)

2. Suggest marketing mix to retain leadership of Mahindra & Mahindra in total sales of tractors.
   [*Source:* Krishnamacharyulu and Ram Krishanan, Rural Marketing, Pearson Education, Delhi, 2002.]

Case 2: Rallis India Ltd.

Rallis India Ltd. has been the leader of Indian agro-chemicals market, with Rs. 1430 crore businesses. Agro-chemicals and fertiliser distribution generates nearly 80 per cent of the revenues of the company. The company initiated a programme to focus on:

- Sharpening its business and product portfolios.
- Improving cash management.
- Introducing new products.
- Reducing costs—throughout the value chain.
- Strengthening controls and business processes from procurement through manufacturing, logistics, marketing, sales and distribution.
- Greater focus on R & D.
- Human reserves orientation.

The company's product range includes insecticides, fungicides, herbicides and intermediates. It is one of the largest Indian pesticides manufacturer with capacity of about 18,000 tonnes per annum of technical grade pesticides and 40,000 tonnes of formulations per annum. The Indian market, the industry is currently going through a bad phase on account of factors like low pest pressure, unfavourable climatic conditions etc. However, cotton crop accounts for 40-50 percent demand while vegetables, orchards and kharif crops have increasing demand. Rallis India Ltd. has evolved a strategy based on market research findings. The philosophy is to create a brand and develop a relationship with every farmer. With name of 'Silent Revolution' a project has been launched in South India to involve directly to the end user - the farmer without making a noise. Trained Farmers Promotional Assistant is another project, launched by Rallis India Ltd. which focusing on promotion of Rallis products. Thus, 20 lakh farmers were contacted in six month by 700 TFPA's through per zonal contact, village meetings and mandal meetings and 2.10 lakh Rallisproduct demonstrations were given. It led to Rallis substantially increased their product sales and sustaining customer's loyalty.

Questions

1. Discuss the case and suggest marketing plan for UP.
2. Analyse the promotional scheme of Rallis India Ltd. and give policy imperatives for other competitors.
3. Examine the marketing mix of Rallis India.
   [*Source:* Krishnanamacharyule and Ramakrishnan, cases in Rural Marketing, Pearson Education, Delhi, 2003.]

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5

Marketing of Agricultural Produce

Marketing of agricultural produce or "agricultural marketing involves many functions like assembling of farm produce, grading, storage, processing, preparation for market, transportation to market centres, financing, risk-bearing, and distribution to ultimate consumers through various market channels. All these functions need specialised skills, and therefore they can not be handled by the producer or the ultimate consumer by themselves. Therefore, different agencies and institutions have come up to perform these functions. For the smooth conduct of market operations, these agencies must interact with the needs of each other. Any disturbance in any of the functions creates problems in the smooth flow of agricultural commodities to the consumers" (Rao, 1997).

Proper marketing of the farmer's produce ensuress fair prices for his produce. This, in turn, encourages him to produce more for the market. The wants of the urban sector are better satisfied and the process of industrialization gets a boost. As a result, the income of the farmer increases, and that results in his increased demand for industrial products. Therefore, the need for a proper marketing system for the speedy economic development of the country is a 'sine-qua-non' (Rahman and Sharma, 1997).

GOVERNMENT EFFORTS

Agricultural marketing remained unsatisfactory upto the middle of twentieth century. Farmers were poor and illiterate, markets were against the interests of farmers, and intermediaries and middlemen between the farmer and final consumer were too many and too large margin went to them. Although the government has been vigilant to improve the marketing conditions, ever since the introduction of the First Five Year Plan, the steps taken have not been entirely satisfactory, and had defects that slowed the progress and development of agricultural conditions.

The government's main thrust during the sixth and seventh plans periods has been on:

(*i*) Further expansion of regulated markets in terms of more markets and more commodities;
(*ii*) Strengthening and streamlining of inspections to ensure a regulated system of open auction trading practices, etc; and
(*iii*) Development of rural markets in areas where such facilities are not available (Rahman and Sharma, 1997).

The government introduced many schemes and taken several measures to combat the challenges that had been posed by the defects of agricultural marketing in India. Some of the measures taken were:

(*i*) In the first place, the government has undertaken marketing surveys of various categories of agricultural produce, and made suggestions to remove the defects noticed during the surveys;

(*ii*) Another measures taken by the government is the grading and standardisation of agricultural goods under the Agricultural Produce (Grading and Marketing) Act. The grades are stamped with the seal of the agricultural marketing department - AGMARK. Scope of regulated markets has been widened. At present over 75 per cent of agricultural produce falls within the coverage of regulated markets. This reduced malpractice in 'Mandis'. Central Warehousing Corporation was set up in 1957. The states also followed suit. At the regional and national levels, additional storage capacity is being created by SWCs, CWCs, and the Food Corporation of India (Rahman and Sharma, 1997). Corporate interests in agribusiness are shown in Fig. 5.1.

Fig. 5.1: Corporate Interest In Agri-business

Corporate	*Strategy*
ITC	e-choupal reaches 3.1 million farmers. Adding 30 new villages a day.
TATA	Tata Kishan Kendra spread over 14000 villages in three states.
Godrej	Acquired and merged HLL's agri-business, entering rural retail.
Mahindra	Sell farm inputs and equipments through Shubhlabh. Present in corporate farming, rural financing.
Bharti	Entering food processing and exports of fruits and vegetables.
Pepsi	Revolutionized horticulture in Punjab, entering citrus cultivation and seafood farming.
Sriram	Setting up a chain of rural India - 10 already operational.
Reliance	Entered cropping and sale of medicinal and herbal plants.
EID Parry	Indiaagriline promotes IT initiative in Tamil Nadu to facilitate advisory services, information and consultancy.
DSCL	Set up Haryali Kisan Bazar in four states for sugar and seed business.
CFCS	Launched a community-welfare initiative called Uttam Bandhan in Rajasthan for imparting training to youth as extension workers - Uttam Krishi Sewak.

STRUCTURE OF AGRICULTURAL MARKETING

Saxena (1997) had drawn the structure as follows:

Markets at Local Level: Where farmers (who produce in small quantity and are economically weak) can conveniently sell (to purchasers), often to middlemen. The middlemen then sell it to district or central market. These are called 'grower's markets' or 'primary markets'.

District Level Markets: Where huge quantities of agricultural commodities are assembled from local markets. After processing, these are transported to the central/regional markets or sold to consumer markets.

Central/Regional Markets: Where facilities of processing, storage and grading are available. These markets are professional in nature. Buyers of different states and countries visit these markets. From here the produce is transported for marketing in different parts of the country or abroad.

Sea-Board Markets: Established at seaports, where exporters purchase turm products brought from local or regional markets. They have the needed facilities of processing and packaging, and arrange shipment of these products to other countries. Facilities for importing agricultural goods are also available here.

Wholesale Markets: Farm products are often purchased in bulk and storage, to be sold to retailers at an opportune time (at higher profits). The operating scale of these markets is smaller than that of the central markets.

Retail Markets: Including small distribution centres or shops in different areas of cities, towns and villages, where agricultural produce is sold to consumers who purchase in small qualities any time they need it. Generally, retail-selling prices are slightly higher than the wholesale prices, because the retailer would earn some profit for the services rendered (Figs. 5.2 and 5.3).

Fig. 5.2: Agricultural Marketing

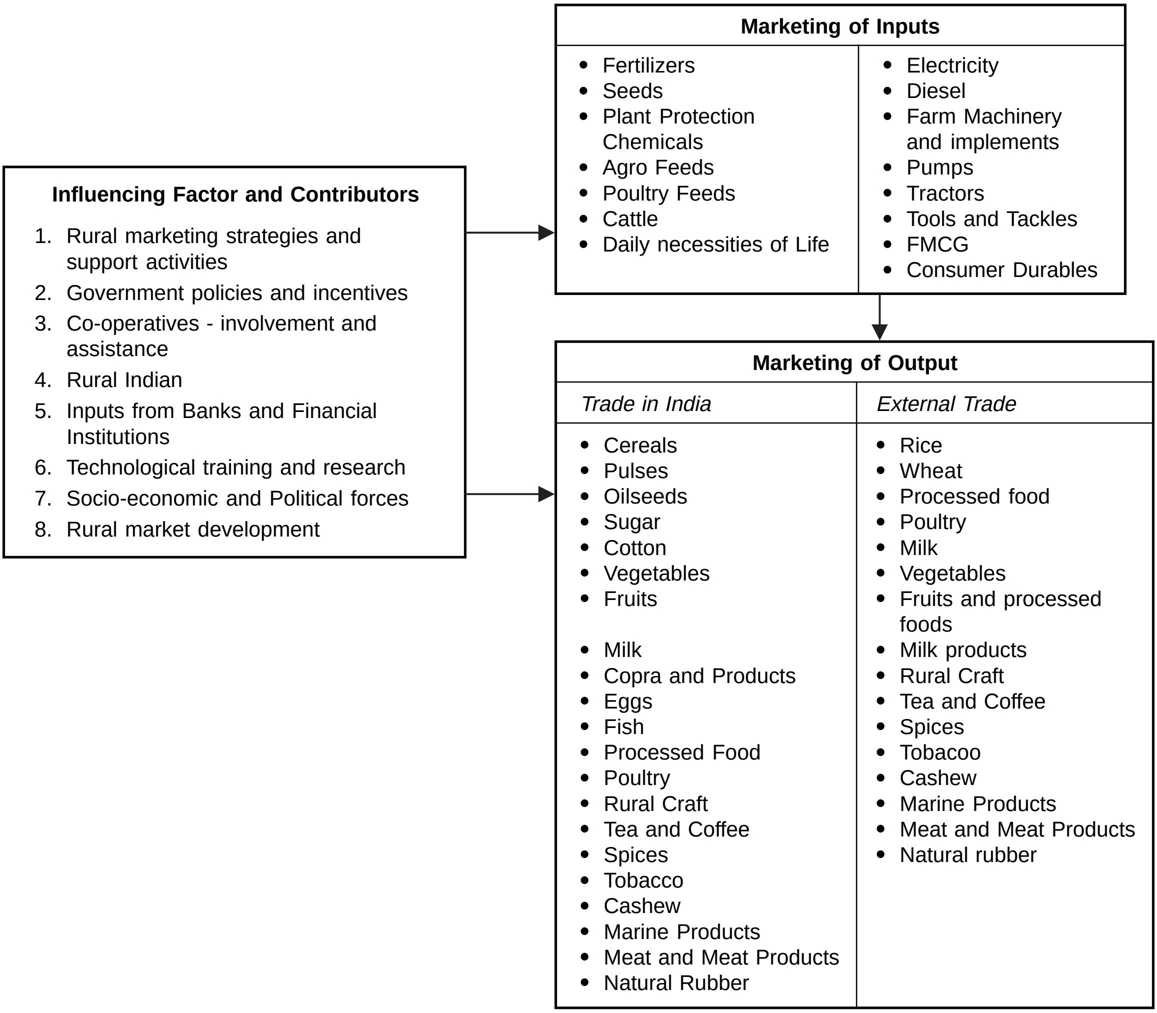

Fig. 5.3: Agriculture Marketing (Rural Market-Out)

Main Items & Classification

- **Horticulture Items**
  - **Flowers**: Roses, Jasmine, Aromatic Plants, Others
  - **Spices**: Cashew nuts, Arecanuts, Medicinal Plants, Other Horticulture Products
  - **Vegetables**: Potatoes, Brinjals, Green Leaf, Onions, Cabbage, Cauliflower, Pea, Tomato, Chillies, Others
  - **Fruits**: Mango, Grapes, Oranges, Banana, Citrus, Apple, Guava, Litchi, Papaya, Pineapple, Sapota, Others
- **Food grains**: Wheat, Rice, Dals, Jawar, Bajra, Maize, Others
- **Oil seeds**: Groundnut, Sunflower, Coconut, Soyabean, Rapeseed & Mustard, Castor
- **Fibre Produce**: Cotton, Jute, Mesta
- **Beverage Items**: Tea, Coffee, Tobacco
- **Cash Items**: Sugarcane, Natural Rubber
- **Animal Products**: Milk, Fish, Eggs, Poultry, Wool, Meat, Animal Hides, Sericulture, Others

ENVIRONMENT FOR AGRICULTURAL MARKETING

Agricultural marketing is affected by various environment factors. These factors may broadly classified as micro-environment and macro-environment. The micro-environment consists of

the various constituents which take up different functions of marketing. They include the buyer and his characteristics, market intermediaries, facilitating agencies, government agencies, and ultimate consumers. Macro-environmental factors are classified as (*i*) economic factors; (*ii*) socio-cultural factors; (*iii*) politico legal factors; (*iv*) technological factors, and (*v*) climatic factors. Cost of agricultural inputs, price behaviour of agricultural products, economic position of producers, availability of credit facilities, export opportunities, fiscal policies etc. have considerable impact on agricultural marketing. Educational levels, marketing intelligence, producers perceptions regarding farming, agricultural resources etc. are some of the socio-cultural factors that influence agricultural marketing. Technological innovations, use of high yielding varieties of seeds, pesticides, agricultural inputs, water management scientific use of fertilizers etc. factors directly and indirectly influence the productions and distributions of agricultural produces. Importantly, chain of cold storage may improve the marketing of perishables like vegetables, milk, fruits, milk-products etc. Marketing information can be effectively disseminated through modern devices of communication technology. Government intervention in terms of policy, regulation, financing marketing and extension services plays a vital role in supporting agricultural programmes through various services like financing, educating, training and providing technical services to the people. Climatic factors like excessive rains, bad weather, drought, floods and other natural calamities influence agricultural marketing.

REGULATED AGRICULTURAL MARKETS IN INDIA

Regulated markets constitute a widely accepted system of organising the marketing of agricultural produced. It is a form of intervention by the state. The existing system of regulated markets in India evolved in large part from pre-colonial settlement systems based on extraction of surplus from agricultural economy through the controls exercised by market intermediaries and administration. The concern of decision makers was to expand the output in a few specialized lines of primary production for export. They established Regulated Markets to provide a mechanism for transfering the agricultural surplus, for example cotton, needed for British Industry.

In the post 1947 period the progress of regulation and market development depended on state governments. The number of markets in the country increased from 450 in 1955-56 to in 2002. Though the number of markets in the country increased, the systematic development of market has not been attempted. There seems to be no focus in the direction of market development. The 80s and 90s were recognized as the decade when agricultural markets needed most attention due to structural changes in the Indian economy (liberalization). Thus, the regulated system was sought to be expanded because it was expected to: (*i*) lead to the creation of new marketing centres; (*ii*) eliminate the non-functional marketing margins through policing of trade; (*iii*) make the structure more competitive; & (*iv*) to improve agricultural productivity through improved physical infrastructure in the market yards (Urs, 2002).

However, several arguments, by noted economists, have been given, both in favour of and against regulated agricultural markets. These could be debated merely for the sake of academic debate. Urs (2002) has examined several of them. It is also said that the regulated markets are largely inadequate. And, that following are simply myths, rather than reality. Some of the myths are:

1. Regulated markets are efficient and establishment of markets will enable the farmers to reap certain economic advantages;
2. Physical infrastructure (development) in the panacea to all marketing problems;
3. Farmers are not rational and they do not response to the economic stimuli and particularly to the marketing institutions;
4. Producers are ignorant of their own interests and of the marketing opportunities open to them and they can not be relied upon to sell their produce as advantageously as possible;
5. The subsistence farmers do not have much marketable surplus and they do not participate in market transactions;
6. There are a large number of market intermediaries and because of this overcrowding the resulting situation is a competitive market (Urs, 2002).

Whatever the reality be, an examination of the enumerated policy measures followed in India suggest that three broad areas have been outlined to cover market development. Three sets of interdependent policies and programmes followed in the country include:

(*i*) Set of policies and programmes aimed at marketing system improvement;
(*ii*) Agricultural pricing policies aimed at influencing the level and fluctuations in prices received by the farmers and those paid by the consumers; and
(*iii*) Policies concerning regulation of foreign trade (Urs, 2002).

FEATURES OF REGULATED MARKETS

Government has taken the following steps to improve the functioning of agricultural markets:

1. Price stabilization for agricultural products through fixing the statutory prices of agricultural produces and commodities.
2. Elected market committee is constituted to administer these markets. It consists of representatives from all interests like farmers, producers, commission agents, wholesalers and some government nominees.
3. All functionaries in the market have to obtain a licence from the market committee to operate.
4. Market committee fixes the charges to be collected for the services rendered by the functionaries in the markets. Arbitration committee deals with any violation of market operator.
5. Sale proceeds have to be paid to farmers- producers on the day of the sale itself.
6. No secret deals is allowed. Sales have to be conducted transparently, generally by open auction.
7. Market charges incurred in effecting sales have to be borne either by the sellers or buyers or shared between them.
8. Market intelligence has been strengthened license functionaries are required to submit complete details of all transactions taking place every day. The information regarding arrivals, sales, stocks and price of different commodities are published on notice boards every day. This information is further disseminated to hinterland villages of the market which help farmers judge the best time to go to the market.

9. Facilities like rest-houses, canteen, drinking water, cattle-shed, etc. are provided in regulated markets for the benefits of farmers and cattle.
10. Facilities for grading and standardization of the produce brought for sale by the farmer producers are provided.
11. Size of packs for various commodities are stipulated by the market committee.
12. Central and state warehousing corporations are expected to establish godowns near the market for the benefit of farmers-producers.

REALISTIC SITUATIONS

1. Regulated markets appear to be the faulty approach to the every concept of market regulation. As assumed that a regulated market is a facilitative and service oriented organization to ensure rataionalising trade practices and produces for an orderly marketing of agricultural produces but the charges related to the services rendered reveal that regulated market are not service oriented but made emphasis is on fee collection.
2. The market committee is not a representative body of various interests associated with the produces of agricultural marketing. There is heterogeneity in the composition and constitution of market committee. The numerical strength of the market committee vairous from 9 in Himachal Pradesh, 1020 in Madhya Pradesh. Thus, the composition of market committee is faulty one.
3. Regulated markets today have converted into full-fledged branches of marketing board. They lack functional autonomy.
4. The lack of continuity in administration affects, the smooth functioning of markets. The tenure of markets secretaries in many states reveals a gloomy picture. The average tenure has been reported to be two years against a standard period of three years.
5. In effective implementation of regulatory reforms is the another services concern for policy imperative. Most of the regulated markets have not established grading units. Even the machines established so far are not in use, due to apathetic attitude of traders, mis-apprehensions among the produce-sellers about the utility of these machines, and poor maintenance an upkeep of these machines, rendering them unserviceable.
6. Most of the markets have not made arrangements to display the prices of notified commodities on notice boards. The state of market intelligence seems to be particularly disappointing in states like Bihar and U.P.
7. Various systems of sales are in vogue in regulated markets. The systems of sale prevalent at present are: (*i*) open auction; (*ii*)mutual agreement between buyer and seller; (*iii*) sale under cover; (*iv*) chit tender system; (*v*) forward sales etc. Hence the regulated markets can no longer afford to overlook the proper implementation of open auction system of sale.
8. In certain markets, the payments were reported to have been made three months after the actual sale. In some cases the payment is made to the sellers on the spot but in actual practice, such payments materialize much later.

Thus, regulated market needs to shift in emphasis, change in composition of market committee, giving them functional autonomy extending facilities for grading at producer's level and broadening marketing intelligence activities, etc.

Natural Rubber

Rubber is a versatile raw material used in the manufacture of a wide range of products. Natural rubber has changed the course of the industrial sector. The rubber tree also provides some byproducts like rubber wood, honey and rubber seed oil. The crop provides livelihood to about a million families. Natural rubber is eco-friendly. It is a long gestation crop that takes about seven years to come into the yielding stage. India occupies third position in production, fourth in consumption, and first in terms of productivity of natural rubber. The productivity in India is high at 1576 kg. a hectare. India's rubber is essentially consumed in the domestic market, the bulk of it being consumed by tyre manufacturers.

In India, bulk of the produce is sheet rubber. The quality of Indian block rubber is also not good. The average life of a rubber tree is 30 to 40 years. Efforts are being made to reduce the cost of tapping by improve land and labour productivity. About 90 per cent of the natural rubber is produced by small holdings with an average area of 0.5 hectare or less.

Indian rubber plantation industry was export oriented until the late 1930's. Thereafter, owing to the expansion of rubber goods manufacturing industry in the country, domestic consumption of natural rubber increased rapidly to the extent of out-skipping the production and making the country a net importer since 1947. The continued low price of rubber for the last 5 years has caused socio-economic problems in this sector. The small growers have started migrating their rubber plantations and the rate of expansion of area under rubber has also declined. As a result of the general economic slow down in India, the growth in consumption of natural rubber in the country has decreased substantially. The infrastructure available for marketing of rubber is inadequate and needs strengthening. Rubber is vulnerable to degradation during storage because of excess humidity and therefore, the facilities for humidity controlled warehousing has to be provided. Similarly, information on trends in market, product diversification etc. are also to be generated taking into consideration the requirements of industries in various countries to ensure an efficient marketing system.

Poultry

India is the fourth largest egg producer in the world. The industry employment to over two million people and contributes Rs. 120 billion to GDP. Poultry meat can create employment for about 25000 people. The top egg producing states in India are Andhra Pradesh, Tamil Nadu, Maharashtra, Punjab and Haryana. In the case of broiler production, Andhra Pradesh, Maharshtra, Punjab, West Bengal and Karnataka are the leaders. The per capita consumption of egg increased from 18-19 in 1982 to about 38 by 2002. The desirable level of consumption is at least 180 eggs per prson per year. However, in recent years, egg production has grown by 5 to 6 per cent per annum. The annual export of hatching eggs has been fluctuating between 60 million and 85 million. It may be around 62 million pieces now. It is estimated that India can earn foreign exchange worth of Rs. 2 billion a year within the next five years from poultry export. In 1998, India exported 106 million eggs while in 2000 total export of table eggs stood at 185 million.

Indian poultry industry faces problems of drought low, agricultural productivity, resulting in low poultry feed, dumpling of poultry products and low prices of eggs and poultry products.

Tea

India is the largest producer and consumer of tea. The industry is currently facing difficulties because of falling prices in the world market. The export of tea has showed down while consumption of tea in the country has dropped. The major tea producing countries are India (29.82 per cent), China (22.57 per cent), Sri Lanka (10.21 per cent), Kenya (8.12 per cent), Indonesia (4.41 per cent), Turkey (4.05 per cent), and Japan (3.36 per cent). In 2002, India produced 1035 million kg. of tea and consumed 815 million kg. The market for tea is expected to grow at 3 per cent per annum till 2005. The production is expected to go up to 3.1 billion kg. by 2005. The consumption is also expected to increase by 3 per cent per annum till 2005. During 2002, India exported 294.6 million kg. worth of Rs. 25574.2 million.

In India, tea is grown in 15 states. Among these the largest producers are Assam (50.7 per cent), West Bengal (22.1 per cent), Tamil Nadu (15.9 per cent) and Kerala (8.3 per cent). Besides the traditional small tea segment in South India, in the recent past a large number of small farmers in Assam, North Bengal and Bihar have switched over to tea. There are more than 1.10 lakh holdings accounting for 18 percent of the all India tea production. However, the cost of production is high in India compared to other competitors. Moreover, declining exports and increasing production place tremendous pressure on prices leading to continued loss in profitability, loss in foreign exchange earnings.

CHALLENGES IN AGRICULTURAL MARKETING

After independence, more attention has been paid to agricultural research, and this has increased the pace of modernization of Indian agriculture and introduction of technological innovations such as the use of high-yielding variety seeds, improved agricultural implements, and fertilizers and pesticides in the recent past, has brought about a big change in the production and productivity in Indian agriculture. This development is known as 'Green Revolution'. It has also given rise to several problems faced by farmers, sellers, as also planners, policy makers, and administrators of agricultural marketing. Saxena (1997) discussed at length the following as some of these: (1) Inadequate and (at some places even complete lack of) transport facilities; (2) Non-availability of spacious market yards (in rural areas as well as in urban areas; (3) Lack of proper storage facilities in rural areas; (4) Lack of market intelligence at the level of farmers/producers selling surplus; (5) Inadequate facilities for grading and standardization; (6) Inadequate facilities in regulated markets. Only 6,752 out of 34,000 markets in India are regulated markets (Saxena, 1997). Changes in Indian agriculture are shown in Figs. 5.4 & 5.5.

The World Development Report 2002 lists three challenges as important confronted by policy makers building institutions for agricultural markets. First, agricultural activity is usually geographically dispersed and distant from major urban centres. Second, farming in many countries has historically suffered from urban bias in public policy. Third, agriculture is heavily dependent on the vagaries of climate which results in instability. It is pointed out that marketing problems are the biggest institutional constraints for increasing agricultural productivity. There are innumerable marketing challenges and it is not necessarily the three listed above and an attempt is made to identify various marketing challenges as noticed in the Indian situation:

1. Fragmented market structure;

Fig. 5.4: Lure of Rural India

Traditional Draw	*Recent Triggers*
• Largest arable land in the world • Large domestic consumption base • Attractive emerging export markets • Diverse climatic zones all on growing of a variety of crops through the year	• Step rise in rural incomes in the 1990. • Growing demand for processed food • Compulsion to get beyond urban markets • Government doubling it rural spending • New tax incentive for food exports.

Source: India Today, Dec. 13, 2004.

Fig. 5.5: Changes in Indian Agriculture

Variables	*In 1950s*	*Today*
Seed	Farmer used a part of retained produce as seeds	Farmer is buying HYVS like hybrids etc.
Nutrient replacement	By FYM and compost only	Fertilizers + FYM + newly introduced biofertilizers.
Pesticides	Widespread use of DDT.	Implementation of Integrated Pest management.
Low environment consciousness	Indiscriminate and non-judicious use of chemicals	Organic farming is the new mantra.
MIS	Farmers had poor knowledge of latest agri-practices	Information technology is changing the rules of the game e.g. Tarahaat.com, e-choupal
Extension services	Totally dependent Government initiative	Increasing role of private sector e.g. Tata Kisan Kendra, Mahindras one-stop-shop.
Labour	Involvement of family members	Hired labourers
Farm machinery	Rarely used	Frequently used
Output	Marketable surplus was very less	Higher M.S. due to specialized cultivation like paddy, wheat, cotton, vegetables.
	Aim was to meet family requirement	Aim is to get maximum profit out of the surplus

2. Interlocked markets, particularly the input markets;
3. Complexity - fragility and vulnerability of the markets;
4. Wide price variations between markets and regions through time;
5. Lack of market outlets and unequal distribution;
6. Uncertainty and risk associated with it and it's complexity;

7. Insufficient, poorly located and underutilized infrastructure (for example: storage and processing sector). Decentralized storage may solve local self-sufficiency but it is never explored;
8. Reducing transaction costs;
9. Adoption of new marketing technology which includes storage, processing and Information Technology;
10. Increasing the effectiveness of transportation;
11. Lack of appropriate grades and evolving standards for innumerable commodities;
12. Countering and combating market power in the context of growing strength of mercantile power;
13. Protecting the consumers, including new class of consumers;
14. Achieving economics of scale;
15. Assuring accurate weights and measures by using the new technology;
16. Enhancing productivity (Value Addition in Marketing-VAM);
17. Reducing destructive capacity;
18. Providing services not available in the traditional marketing sector;
19. Shift in emphasis by identifying the changes in government related conditions
20. Supporting micro enterprises which keep multiplying as the economy grows;
21. Developing human resource development in marketing;
22. Empowering poor, women and marginalized groups;
23. Strengthening institutional capabilities and capacity of the individual market participants;
24. Resolving political and non-economic preferences;
25. Eliminating too many restrictions and controls;
26. Targeting the beneficiaries;
27. Integration of marketing activities (Horizontal and Vertical);
28. Restructuring legal and institutional framework for orderly development; and
29. Market Orientation to all participants of the market and particularly farmers (Urs, 2002).

HORTICULTURE

India, with its wide variability of climate and soil, can produce a large range of horticultural crops such as fruits, vegetables, potatoes, tropical tuber crops, ornamental crops, medicinal and aromatic plants, spices, and plantation crops like coconut, cashew nut, cocoa, etc. The Government has moreover, identified horticulture crops as a means of diversification for making agriculture more profitable through efficient land use, optimum utilization of natural resources (soil, water and environment) and creating skilled employment of rural masses, especially women. India has emerged as the largest producer of coconut, arecanut, cashew nut, ginger, turmeric, black pepper and the second largest producer of fruits and vegetables. Among the new crops, kiwi, olive crops and oil palm have been successfully introduced for commercial cultivation in the country. Some improvement is seen in the adoption of technologies for raising production.

Efforts are made to encourage private investment in hi-tech horticulture with micro propagation, protected cultivation, drip irrigation, and integrated nutrient and pest management besides making use of latest post-harvest technology particularly in the case of perishable commodities. As a result, horticulture crop production has begun to move from rural confines

to commercial ventures and has attracted young entrepreneurs, since it has proved to be intellectually satisfying and economically rewarding.

Currently hardly 1 per cent of over 140 million tonnes of fruits and vegetables produced in the country goes through the processing route. Hence, strategies for diversified agriculture should involve a separate road map for value addition in fruits and vegetable sector. Creation of essential infrastructure for preservation, cold storage, refrigerated transportation, rapid transit, grading, processing, packaging and quality control would be the key areas for such a strategy.

The Ministry of Food Processing is setting up food parks in different parts of the country. So far, 30 food processing parks have been sanctioned by the government. The estimated production of horticulture crops is illustrated in Table 5.1.

Table 5.1: Agri-Exports of Horticulture

(In Million US$)

Year	*Rice*	*Spices Vegetables*	*Fruits & Processed Foods*	*Miscellaneous Meat Preparation*	*Meat & Preparation*	*Fish Products*	*Tabasco Cake*	*Oil Cotton*	*Raw*
1960-61	—	36	13	02	02	10	34	29	—
1970-71	7	51	16	04	06	40	43	73	—
1980-81	283	14	101	70	45	274	178	158	—
1990-91	257	133	120	78	119	535	147	339	471
1995-96	1366	237	240	187	-225	1011	134	702	61
1997-98	907	379	287	217	142	1207	288	924	221
1998-99	1493	388	221	187	130	1038	181	462	49
1999-00	721	408	288	189	154	1183	233	378	18
2000-01	644	354	352	322	239	1394	191	448	49
2001-02	666	314	327	250	259	1236	169	475	09

[*Source:* **Economic Survey** 2000-01 to 2002-03. Government of India; Ministry of Finance, New Delhi.]

FLORICULTURE

Although flower cultivation has been practiced in India since time immemorial, horticulture has blossomed into a viable business in recent years. Considering the potential of this sector for generation of income and employment opportunities, promotion of involvement of women and enhancement of exports, it has been identified as an External Focus Area for exports by the Government. Traditional flowers such as Jasmine, marigold, chrysanthemum tuberose, cassandra and aster are commonly grown. Commercial cultivation of cut flowers, i.e., rose, orchid, gladiolos, carnation, anthurium, gerbesa and lilies has also become popular. The total production of flowers during 2001-02 was 0.57 million tonnes and 803.5 million number of cut flowers.

LIVESTOCK AND FISHERIES

Livestock and fisheries occupy very important place in socio-economic development of the country. The contribution of livestock and fisheries sector to country's GDP was 6.8 percent

(5.59 of livestock and 1.21 per cent of fisheries) in 2001-02 at current prices as is obvious from Table 5.2 & 5.3).

Table 5.2: Production and Per Capita Availability of Milk

Year	*Production (in Millions Tonnes)*	*Per Capita Availability of Milk gm/day*
1950-51	17.0	124
1960-61	20.0	124
1970-71	22.0	112
1980-81	31.6	128
1990-91	53.5	176
1998-99	75.0	211
1999-00	78.0	214
2000-01	81.4	223
2001-02	84.6	226

Source: **Annual Report 2002-03,** Department of Animal Husbandry, Government of India, **Economic Survey 2002-03,** Ministry of Finance, Government of India.

Table 5.3: Production and Export of Fish

Year	*Production (in Millions Tonnes)*	*Export (1000 Tonnes)*	*Value (Rs. in Cr.)*
1950-51	0.7	20	02
1960-61	1.2	20	04
1970-71	1.8	40	35
1980-81	2.4	80	235
1990-91	3.8	140	873
2000-01	5.6	503	6296
2001-02	6.0	458	5815

Source: **Annual Report 2002-03,** Department of Animal Husbandry, Government of India, **Economic Survey 2002-03,** Ministry of Finance, Government of India.

The value of output of both sectors was estimated to be Rs. 1,79,544 crore during 2001-02 which is about 27 per cent of the total value of output of Rs. 6,48,122 crore from agriculture and allied sector. Livestock provides regular employment to about 11 million in principal and 8 million in subsidiary status. The contribution of milk alone (Rs. 1,03,804 crores) was higher than paddy (Rs. 73,965 crore), wheat (Rs. 43,816 crore) and sugarcane (Rs. 28,592 crore) in 2001-02; besides 84.6 million tonnes of milk, the livestock sector contributed 34 billion eggs, 50.7 million kgs of wool, 4.92 million tonnes of meat and 5.8 million tonnes of fish. India has the large livestock population accounting for 57 per cent of the world buffalo, 16 per cent of cattle population. Much of the livestock is reared under sub-optimal conditions due to the low income status of livestock owners. Despite all these constraints, India has now become the largest producer of milk in the world.

Similarly, fisheries has been recognized as a powerful income and employment generator as it stimulates growth of a number of subsidiary industries and is a source of cheap and nutritious food besides being a foreign exchange earner. The opportunities for entrepreneurs in food processing are shown in Fig. 5.6.

Fig. 5.6: Golden Opportunity for Entrepreneurs in Food Processing

I.	**For setting up/expansion/modernization of units in various sectors of food processing industries like:**
	• **Fruits and Vegetables Products:** Frozen/Dehydrated/Canned Fruits and Vegetables. Fruits Juices/Concentrates/Pulps, Ready to Eat Vegetables, pickles, jams, jellies, squashes etc. • **Milk Product:** Mozzarella Cheese, frozen desserts, yoghurts, whey protein, casein, malted foods, baby foods, other value added milk products. • **Grain milling:** Value added products from cereals such as wheat, paddy, millets, pulse seeds, maize. • **Cereal Products:** Bakery products, breakfast/energy/supplementary foods, snacks foods, starch and its derivatives, value added Guargum products etc. • **Meat and Poultry Products:** Meat processing units, integrated poultry processing, poultry by-products processing, specially egg products. • **Fishery Products:** Fish processing, fish handling/pre-processing units, low value fish utilization, propagation of Traditional Fish Processing Technologies. • **Oilseeds Processing:** Processing and value addition of oilseeds including tree born oilseeds.
II.	**Post-harvest infrastructure:** • For setting up of food park with common facilities like warehouse, cold storage, quality control lab, effluent treatment plant, packaging facilities etc. • For setting up Post-harvest infrastructure (such as grading, sorting and packaging facilities). • Integrated cold chain (mobile/stationary coolers, refrigerated transport, freezer cabinets at the retail ends etc.).
III	**For setting up cold storages:** • For non-horticulture products (provided by National Horticulture Board for horticulture product). • As an integral part of the food processing unit or food part. • Special type of cold storages with modified controlled atmosphere facility.
IV.	**Backward Linkages:** • Reimbursement to the Processors for contract farming @ 10% of the value of raw materials procured upto Rs. 10 lakhs per year for 5 years. Processors have to provide best extension service/practices, technical know-how and physical inputs (like seed, fertilizer, pesticide etc.) to the producers of the raw material and inform this Ministry in advance.
V.	**Quality Upgradation:** • If you already own a food processing unit and wish to upgrade to ISO/GACCP certificate, grant is admissible upto Rs. 10 lakhs.
VI.	**Essential** • Apply in the prescribed format through the State Nodal Agency of each State/UT. Project should be appraised by a Bank/financial Institution, be technically and financially viable, required loan/working capital be tied up, technical/managerial/operational/marketing manpower, marketing etc. be arranged for success of the project.

Source: **Deccan Herald** dated 4.2.2003.

ORGANIC FARMING

As a result of growing consciousness of health hazards, posed due to contamination of farm produce from the use of chemical fertilizers and pesticides; organic agriculture has gained international recognition during the last decade. The consumers are willing to pay a premium for environmentally responsive safe products.

Organic farming systems rely on ecologically based practices, such as cultural and biological pest management, and virtually exclude the use of synthetic chemicals in crop production and prohibit the use of antibiotics and harmones in livestock production. Thus, organic agriculture is an environmentally friendly ecological production system that promotes and enhances bio-diversity, biological cycles and biological activities. Organic agriculture is much more than simply chemical free. The primary goal of organic agriculture is to produce healthy, nutritions food year after year without environmental degradation and optimize the health and productivity of interdependent communities of soil life, plants, animals and people (Pandey and Pandey).

CHARACTERISTICS OF ORGANIC FARMING

- Protection of long term fertility through use of organic materials to maintain organic matter and nuritiants in the soil.
- Crop protection without chemical use.
- Adoption of proper management techniques or cultural practices to control pests.

Presently, organic agriculture and organic trade account for less than one per cent of the total food industry but trend is likely to be more pronounced in the coming years. The present potential of the international market for organic foods has been estimated at $ 20 billion (Tribune, 2003). The annual growth rates are 15 to 30 per cent in Europe, the United States and Japan for the past 5 years. As many as 20 to 30 per cent of consumers surveyed in Europe, North America and Japan claim to purchase organic foods regularly.

Major Organic Products

(A) Food Products

- Dried fruits and nuts
- Processed fruits and vegetables
- Vegetables
- Cocoa
- Fruits
- Spices
- Herbs
- Oil crops and derived products
- Suice toners
- Dried leguminous plants
- Meat and dairy products
- Alcoholic beverages
- Processed food and
- Fruits preparations

(B) Non-food Products

- Cotton
- Cut flowers
- Pot plants
- Oil seeds

India did not have its own organic standards and certification system in place. However, there are a few organizations, which deal standardization of organic produce. They include IFOAM, SA (UK), USDA Standards, UK ROFS, OCIA, IOAS, JAS etc. Government of India has launched the National Programme for Organic Production (NPOP) in April, 2000 for accelerating promotion of organic movement in India. ADEDA under the auspices of the Ministry of Commerce and Industries is implementing NPOP. The programme has identified potential states viz. Gujarat, Orissa, Haryana, UP and Uttaranchal. The products identified include: groundnut, sugarcane, Basmati rice, varieties of vegetables and fruits. India has potential of orgaic products viz. fresh arid dried fruits (pineapples, bananas, pears), processed fruit (mango), vegetables, nuts, oil crops, grain, coffee, tea, sugarcane, herbs and spices. India has potential of organic exports viz. pepper, sliced ginger, turmeric, basmati rice, lentil, gram, peas, and sugar. The following organic produce have also export potential: vegetables - okra, bottle guard, parwal, tomato, potato, brinjal; fruits - guava, banana, apple, aonla, ber, litchi, etc; aromatic and medicinal plants - menthal, citronella, lemon glass etc.

BENEFITS OF ORGANIC FOOD

- Organic food tastes extremely good - this is the simple message given by many people who eat organic food.
- Organic fruits and vegetables have been shown in a number of studies to contain more vitamins, nutrients and cancer-fighting antioxidants than non-organic food.
- Organic systems aim to avoid the use of artificial chemicals, pesticides and fertilisers.
- Organic food is produced without GMOs, which are prohibited in the Soil Association's Standards for Organic Farming and Production.
- Organic farming places great emphasis on animal welfare.
- Organic food is produced without the routine use of antibiotics.
- Organic systems reduce dependence on non-renewable resources.
- Organic production is more sustainable and friendlier to the environment and wildlife.
- Organic systems rely on a modern and scientific understanding of ecology and soil science, while also depending on traditional methods of crop rotations to ensure fertility and weed and pest control.

Websites of Agriculture Sector

Agribusiness Information Center (India) http://www.agroindia.org/
Agriculture Internet Users Association http://www.aiua.org/
Agriculture Network Information Centre http://www.agnic.org/
American Association of Pesticide Safety Educators http://aapse. ext.vt.edu/

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American Chemical Society http://www.acs.org/
American Crop Protection Association http://www.acpa.org/
American Phytopathological Society http://scisoc.org/
Argentine Crop Protection Association http://www.casafe.org/
Asia Pacific Crop Protection Association http://www.apcpa.org/
Avcare, Australia http://www.avcare.org.au/
British Agrochemicals Association http://195.50.78.12/baa/home.htm
British Crop Protection Council http://www.bspp.org/
British Pest Control Association www.bpca.org.uk/
Central Science Laboratory, UK. www.csl.gov.uk/index.htm
Communicating For Agriculture http://www.cainc.org/
Chemical Abstracts Service http://info.cas.org/
Consortium For International Crop Protection http://ww.ipmnet.org/
Consultative Group On International Agricultural Research http:// www.cgiar.org/
Crop Protection Institute of Canada http://www.cropro.org/
CSIRO, Australia.http://www.csiro.au/
EUROPA http:/europa.eu.int/
European and Mediterranean Plant Protection Oranization http://www. eppo.org/
European Crop Protection Association www.gcpf.org/ecpa.hml
Food and Agriculture Organization http://www.fao.org/
French Agrochemical Association http://www.uipp.org/
Global Crop Protection Federation http://www.gcpf.org/
Horticulture Research Institute, UK.www.hri.ac.uk/index.html
HSE, UK.http://open.gov.uk/hse/hsehome.htm
ICRISAT (India) www.cgiar.org/icrisat
Indian Institute of Science http://www.iisc.ernet.in/
Institute For Agriculture And Trade Policy www.iatp.org/iatp
Integrated Pest Management http://www.ipmnet.org/
International Federation of Agriculture Producers http://www.ifap.org/
International Policy Council on Agriculture, Food and Trade http://www. agritrade.org/
Japan Crop Protection Association http://www.jcpa.or.jp/
Latin American Crop Protection Association http://www.lacpa.org/
MAFF, UK.http://www.maff.gov.uk/
Mid America Crop Protection Association http:/www.macpa.com/
National Academy of Agriculture Sciences (India) www.naas.edu/ index.html
National Bank for Agriculture and Rural Development (India) http:// www.nabard.org/
National Chemicals Laboratory (India) http://www.ncl-india.org/
National Farmers Organization http://www.nfo.org/
National Pest Control Association http://www.pestworld.org/
New Zealand Plant Protection Society
www.hortnet.co.nz/publications/nzpps/index.htm
North American Plant Protection Organization http://www.nappo.org/
OECD http://www.oecd.org/
Pet CAB Web http://pest.cabweb.org/
Pest Management Regulatory Agency, Canada.www.hc-sc.gc.ca/ pmraarla
Pesticides Manufacturers And Formulators Association of India (India) http://www.pmfai.org/
Pesticide Safety Directorate www.maff.gov.uk/aboutmaf/agency/psd/ psdhome.htm

(*Contd.*)

Silsoe Research Institute www.sri.bbsrc.ac.uk/default.htm
Society of Chemical Industry http://sci.mond.org/
The Pesticides Trust www.gn.apc.org/pesticidestrust
The Royal Society of Chemistry http:/www.rsc.org/
The Society of Chemical Industry http://sci.mond.org/who.html
United Producers Formulators and Distributors Association http:// www.pestworld.org/upfa
United States Department of Agriculture http://www.usda.gov/
US Department of Agriculture-Agricultural Research Service http://www. ars.usda.gov/
Weed Society of America http://ext.agn.uiuc.edu/wssa/index.html
Western Crop Protection Association http://www.wcpa.org/
www.agritech.com
www.agrichem.com
www.krishiworld.com

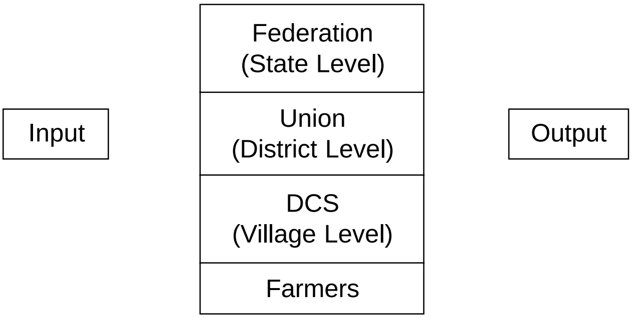
Case 1: Cooperative Dairying in Western U.P.

Western U.P. comprises 19 districts. It is spread over the ancient culturo-geographical regions of Rohilkhand, Upper Ganga-Yamuna Doab and Agra etc. The actual beginning of modern dairying was in the middle of the 19th century. It was the second quarter of the 20th century that creamies, ice cream factories, fluid milk bottling plants, condensaries and dry milk plant were established, and dairying was run on modern lines, and dairying assumed the form of a full fledged industry. Western U.P. is the birth place of the modern dairy industry. The first modern dairy firm was started in 1897 by a Swedish dairy expert Mr. Edward Keventer, near Chherat in Aigarh district. Glaxio Laboratories Ltd., Manzoorgarhi (Aligarh), Hindustan Lever Milk Factory, Etah, State Dairy Unit, Agra, Dalpartpur Baby Milk Fatory, Dalpatpur (Moradabad) etc. are some of the private dairies in western U.P. The main functions of dairy cooperatives are as follows:

(*i*) Promoting dairy industry on modern lines;
(*ii*) Providing technical advice and guidance and extending necessary facilities to their members;
(*iii*) Finding places for dairying and pasture, arranging availability of dairy equipment and providing storage and transportation facilities;
(*iv*) Providing finance and credit facilities to the members and;
(*v*) Providing veterinary services.

Dairy Development Department was created in 1976. Rajya Dugdh Parishad and Pradeshik Cooperative Dairy Federation Ltd. are the two state level oranizations which promote dairying in the state. PCDF was set up in 1962 in the form of cooperative society, while dairy cooperatives in the state back in 1917 when the first cooperative society was established in Allahabad. Later on Lucknow (1938), Allahabad (1941), Varanasi (1947), Kanpur (1948), Haldwani (1949), and Meerut (1950), milk unions were established, with the launching of operation Flood I, II and III, milk production in the state has tremendously increased. The marketing of milk and milk products is being followed on the lines of Anand pattern i.e.

(*Contd.*)



The problems of cooperative dairies in the western U.P. are:

(*i*) Non-optional units and under-utilization of installed capacity.
(*ii*) Sudden closure of cooperative units.
(*iii*) Inadequate and traditional means of transport.
(*iv*) Lack of finance and credit facilities.
(*v*) Lack of properly organized system of marketing.
(*vi*) High cost of imported equipment and machinery.
(*vii*) Absence of cooperation amongst members of cooperatives.
(*viii*) Lack of effective legislative measures to regulate the milk market.

Questions

1. Analyse the case and suggest a marketing plan of milk and milk products on cooperative line.
2. Give an SWOT analysis of Cooperative Diarying in Western U.P.
   [Source: Mr. Rahman, V.K. Agrawal and Sammiuddin, S.S. Singh et al., Rural Marketing, National Publishing House, Delhi, 1997.]

Case 2: Parry India Agriline

EID Parry, an agricultural company in Tamil Nadu set up a first of its kind portal - India Agriline.com through which farmers could access both personalized and general information on a host of topics to agriculture and allied activities. The portal provided detailed information on six crops, which included sugar, banana, cashew, tapioca and groundnut. The exhaustive and detailed information ranged from farm practice and farm advisory services, to primary details for different crops in the nearby markets, weather forecasts etc. Personalized information like the payment detail of a sugar company to farmer could also be accessed on the system once a farmer registered himself with the kiosk. Briefing the digital gap not only eased flow of information of all kinds, but also facilitated market transactions, industry competitiveness, new innovations and positive social transformations.

Most of the villagers in the Cuddalore district of Tamil Nadu were poor and uneducated. But they showed interest in digital empowerment. The villagers in Nellikuppam of Cuddalore district clicked on a mouse that transported then to the fascinating world of the worldwide web. The credit for this technological break can be attributed to the joint efforts of EID Parry and n-logue Technologies. The project was visualized as making rural prosperity possible, and networking

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India virtually. The corDECT wireless Access Technology and the unique franchise model were used. The franchise model was based on participative ownership of the farmer entrepreneur, and this ownership enhanced the farmer's sense of responsibility and belongingness towards the whole system. Nellikuppam, where a 150 year old Parry Sugar factory was located, was choosen as the site for the first access centre with a CorDECT system in early 2001. After that, the company expanded rapidly and as of 2004, the Parry India Agriline website boasted 30 franchised Parry corners operational all over the country. The access centres of kiosks, popularly known as Parry's corners' were franchised to local villages, who owned and operated them. The kiosks were set up at the residence of farmers selected by the company on the basis of their credentials. Each kiosks was fully equipped with a corDECT wall set, a PC, printer, telephone, furniture and a power source with a backup. The villagers could access the company's portal, indiaagrline.com, through the kiosks and update themselves on a host of details relating to major farming activities in the area. The various services provided by Parry India Agriline are listed below:

- Providing information about farming, new business opportunities, banking loans and other financial assistance, medicine and education to farmers.
- Updating the rural community on the latest news, as its happen across the world with the minimum time long.
- Enabling a farmer to voice his ideas and perceptions on various topics and communicate with the government, various channel partners and his friends without spending on telephones and portal.
- Providing information market related parameters like market prices of fruits and vegetables, the latest news relating to weather, government schemes on crops, irrigation and other policy related information.
- Providing additional services in the form of e-mail and auction facilities, sale and purchase of consumer durables etc.

The contents of the portal were available both in English and Tamil version. If the farmers were apprehensive of using the mouse or the key board, they could use their fingers to touch the screen and select whatever they wanted to know. And those who found even the touch screen difficult could just listen to the content. While farmers could access generic information freely, they had to register with the kiosks for personalized and westernized information. Parry India Agriline aimed to improve the life of the farmer by bringing technology to his doorstep, and acquainting him with the information that would help him to increase productivity and enhance his lifestyle.

Questions:

1. Discuss the emerging trends of Agribusiness in the context of Agrline.
2. Explain the advantages of Parry India Agriline Services.
3. Examine the scope and potentialities of Agriline Services in other parts of India.

Case 3: ITC-e-chaupal

The ITC's e-chaupal initiative has already reached 30 lakh of India's farmers and by 2010, it hopes to reach 10 million farmers. ITC's 5050 e-chaupals have ushered in a revolution of sorts in the six states of Madhya Pradesh, Uttar Pradesh, Maharashtra, Andhra Pradesh, Rajasthan

(*Contd.*)

and Karnataka, servicing the integrated needs of 3 million farmers. While the core activity is to tell the farmer the price at which ITC will buy soya or wheat that day, the choupals have quickly expanded their activities to help the farmer with soil testing, combating pests, weather forecasts and improving awareness on consuming iodized salt - something that helps ITC's Ashirward brand of salt - or getting life insurance (LIC and ICICI Prudential) the choupal plays a role. The housewife too has an assured supply of LPG as ITC's choupal have tied up with BPCL, for LPG supply. If ITC's choupals are giving the traditional mandis a run for their money and taking away farmer's patronage, it is not without reasons. Mr. S. Sivakumar, Chief Executive of ITC initiated Agri-business concept i.e. e-choupal in 2000. It has three layers which put together can effectively serve as a universal service delivery mechanism for rural India. The first is the e-choupal where ITC sets up a computer network at a cost of Rs. 2 lakh at the Sanchadak's House. The second layer is the brick and mortar multiple services centre managed by the traditional commission agent. The third layer is a pan-India network of whole lot of collaborative institutions, more than 80 companies are now participating in an initiative orchestrated by ITC.

ITC has moved away from traditional model of development in rural areas that begins with setting up social infrastructure like self help groups, coopratives, etc. Then comes the second layer of political awareness and rights, followed by providing the linkages to the markets. The e-choupal initiative rests on the principle that what farmers need first is empowered access to markets. Within two-years, companies like Marico, Philips, TVS, Hero Cycles, Usha, LG, Sonata etc. have ventured upon the task of brand promotion and marketing of their products through e-choupal. ITC makes by allowing other corporates to use this channel has crossed Rs. 1 crore. ITC has developed 7000 sq. fit mall housed in an eight acre complex, which includes the ITC procurement centre, complete with an electronic weighting platform where the farmer's gain is first weighted along with the vehicle. This eliminates wastage through handling of individual bags. By end 2005, Madhya Pradesh will have 25 such malls, and another 25 will be put up in Rajasthan, Uttar Pradesh and Maharashtra. In 2001-02, the company purchased 60,000 metric tonnes of crop produce through e-choupal. By 2003-04, the purchase increased to 2.10 lakh tonnes and in four months of produce. About Rs. 125 crore has so far been invested in e-choupal and the company is committed to spend Rs. 1000 crore on the initiative. The silent points of e-choupal are:

- The system is locally run. The key person in e-choupal is Sanchalak - a local villager.
- It encourages competition, without competition even the best conceived systems fail.
- Power of scale, the bigger the scale, the more the transaction, less the cost and more the number of beneficiaries.
- Specialization of e-choupal allows government institutions, NGO's, private companies and local middlemen to offer their expertise to villagers and yet be a part of the network.
- It allows continuous improvement based on experience and feedback from users of the network.
- Its functions are based on information, purchase, sales, development.
- It is making a new eco-system in rural India with cheap, efficient, two-day channels between villages, companies, NGO's and the government.
- Other 35 companies partner ICT to sell seeds, pesticides, fertilizers product manufacturers, finance and insurance companies use e-choupal to sell their goods.
- NGO's working for cattle breed improvement and social development join the e-choupal.

(*Contd.*)

- Agriculture universities and government agencies like the Meteorological Department provide ITC with the fastest information.

Questions

1. Analyse the emerging features of e-choupal in the context of globalization of Indian agriculture.
2. Discuss the prospective role of e-choupal in marketing of consumer goods in rural India.
3. Examine the role of e-choupal in 'Grain Revolution'.

Case 4: Co-operative Marketing of Sugar-cane in Uttar Pradesh

Sugar-cane, as we are well aware, is an important cash crop of India. India accounts for 16.91 per cent share in the total sugar-cane production in the world. It is more than "sugar bowls" like Cuba and Brazil. India occupies the first position in the production of sugar-cane and crystal sugar in the world. Sugar industry is the second largest industry in the country next only to cotton textile. In U.P., sugar industry is the largest industry in the organised sector. About 31 lakh cane growers and their families are directly dependent on this industry. More than one lakh people have been employed, directly or indirectly, by the sugar industry in the State. Sugar machinery manufacturing industries, alcohol, chemicals, paper and cardboard, sweets, bakery industries, etc. are based on this industry which contributes around Rs. 40-50 crore of purchase tax to the State Government annually. Sugar cane is grown extensively in Western, Central and Eastern regions of the State and plays a significant role in the agricultural economy of the state.

In Uttar Pradesh, the entire supply of cane to the sugar factories is met by the cane growers' unions/societies. In the State, cane co-operatives are playing a very important role in supplying sugar-cane to the sugar mlls and protecting the interests of cane growers. In order to ensure adequate supply of sugar-cane to the larger sugar mills, the government has reserved an area of 16 km. around the sugar mill from which they are to purchase their sugar-cane. No other sugar mill can encroach upon of the reserve area of any particular unit. Within each reserve area there is a co-operative society and all the cane growers who wish to sell their sugar-cane to the sugar factories have to be registered members of the society. The sugar mill then gives its day-to-day requirement details to the society which, in turn, selects the cultivators who have to supply the cane to the sugar mills. In this manner, all cultivators get their turn in rotation and without any inconvenience either to cultivators or the sugar mills. It also ensures the supply of sugar-cane to the mill. The factories are under obligation to pay commission to the cane co-operatives on cane purchased directly from the farmers.

HISTORICAL ASPECT

Cane societies are playing a pivotal role in protection against exploitation of cane growers by sugar mill owners since 1935-36. In August 1949, the U.P. Co-operative Sugar-cane Federation Limited, Lucknow, was registered. Ever since its establishment, the Federation has been playing an active role in ensuring the overall welfare and economic uplift of cane growers. At present, there are 178 cane co-operatives (including 18 co-operative sugar mill co-operatives). About 99 per cent requirement of sugar-cane is directly met by cane co-operatives and one per

(*Contd.*)

cent cane supply indirectly met by them. All payment is made through these co-operatives by sugar mills to cane growers. For this service the co-operative society gets 2 per cent as service charges.

TRENDS IN SUGAR-CANE PRODUCTION

In India, sugar-cane is mainly grown in tropical and subtropical regions. The growth rate during 1979-80 to 1989-90 indicates that production of sugar-cane has increased significantly. In tropical areas, it is 84.12 per cent, in subtropical areas 81.51 per cent and in India 72.80 per cent growth rate was reported during one decade. Uttar Pradesh is the largest producer of sugar-cane in subtropical region. Regarding sown area of sugar-cane, it accounted for 56.28 per cent share in 1987-88 and 53.86 per cent share in 1989-90. In 1989-90, sugar-cane was grown in 1,834 thousand hectares in U.P. In western region from 1968-71 to 1988-91 the average sown area variation was reported to be 3.13 per cent of the total sown area. In the State, 5.74 per cent of the total sown area was covered by sugar-cane in 1968-71 which increased to 7.10 per cent during 1988-91. The highest compound annual growth rate was reported in the western region (1.44 per cent) and 1.08 per cent in the State as a whole. During 1988-91, the per hectare yield was 538.30 quintal.

As the statistical data reveal, there has been significant rise in sown area of sugar-cane and its production during two decades. During 1970-71 to 1980-81 the compound annual growth rate indicates 2.34 which further increased significantly in 1991-92 upto 6.17 per cent in total sugar-cane production. As regards area (reserved) of sugar-cane is concerned, the growth rate was reported 1.50 and 4.41 per cent respectively, during the decades. The average yield also increased significantly during the decade. From 1970-71 to 1980-81 crushing of sugar-cane declined up to -.87 per cent annually while it further increased significantly in 1991-92 up to 6.18 per cent. Regarding the number of sugar mills the statistical figures reported 2.42 per cent annually in 1970-71 to 1980-81 and 1.67 per cent in the later decade. From 1980-81 to 1991-92 co-operative sugar mills increased by 6.17 per cent annually.

Table 1: Sugar-cane Production and Supply of Sugar-cane to Sugar Mills

Year	*Total Sguar-cane Production ('000' tonnes)*			*Sugar-cane Supply to Mills (In %)*		
	Tropics	*Sub-Tropics*	*India*	*Tropics*	*Sub-Tropics*	*India*
1979-80	52.288	66,488	1,28,833	52.87	21.02	30.30
1980-81	59.563	80,984	1,54,248	56.78	21.29	33.30
1981-82	80,385	97,748	1,86,358	68.78	31.93	46.90
1982-83	80,287	1,03,067	1,89,505	64.11	20.09	43.60
1983-84	72,754	99,852	1,74,076	45.54	25.38	33.90
1984-85	78,647	89,856	1,70,319	49.54	22.49	35.30
1985-86	74,932	91,706	1,70,648	59.00	25.49	35.30
1986-87	71,353	1,06,885	1,86,090	66.36	34.38	45.80
1987-88	79,319	1,13,901	1,96,737	67.30	34.57	47.70
1988-89	87,245	1,10,781	2,03,037	58.09	30.77	41.90
1989-90	96,274	1,20,680	2,22,628	68.35	37.04	49.90
Growth (%)	84.12	81.51	72.80	29.28	76.21	64.69

[*Source:* **Agricultural Situation in India,** August, 1992.]

(*Contd.*)

The larger sugar mills manufacture white crystalline sugar with the help of vacuum pan process. These units are found both in the public and private sectors. The public sector units are mainly those which had been taken over by the government on becoming sick units. Besides these, there are also public sector units which have been established. There are also private sector units; and the co-operative sector. The sectors are categorized by the State Government as: (*i*) State Sugar Mills Corporation Limited; (*ii*) Co-operative Sugar Mills Federation Limited; and (*iii*) Private Sector Sugar Mills. The Co-operative Sugar Federation contributes more than 60 per cent in sugar production in our country. At present there are 106 sugar mills in the State of which 31 are in the co-operative sector.

In U.P. sugar-cane consumption for white crystalline sugar is very low, around 26 per cent. The rest of the sugar-cane is largely consumed for khandsari and gur purposes. The number of khandsari units in the State in 1991-92 was 1,287 which consumed more than 816.37 lakh quintals of sugar-cane annually. In some parts of the State these units are paying more price for sugar-cane compared to large sugar mills. About 44 per cent sugar-cane is consumed for production of gur. In 1988-89, the total production of sugar-cane in the State was 932.09 lakh million tonnes. Of this 242.93 lakh million tonnes were used for sugar and 119.93 lakh million tonnes for khandsari (12.9 per cent) and rest for gur. The total production of sugar-cane has increased significantly since 1980-81. The index shows 161.6 in 1988-89. It may be stated that due to poor crushing capacity cane growers are bound to sell their produce to khandsari units or they consume sugar-cane for gur.

In 1990-91, 3275.61 lakh quintals of sugar-cane were crushed by sugar mills in the State. Of this, the State sugar corporation accounted for 21 per cent, the co-operative sugar mills 24 per cent and the remaining 55 per cent private sector mills. It is clear from the data that the private sector consumes more sugar-cane than other sectors. In 1991-92, the variation was insignificant, though the total crushed sugar-cane had significantly raised.

SUGAR-CANE SUPPLY

Sugar-cane supply to sugar mills is mostly made through co-operatives in Uttar Pradesh and some other States. In the tropical region, sugar-cane supply percentage is much higher than that of subtropical region of India, though supply percentage has significantly increased since 1979-80. From 1979-80 to 1989-90 the growth rate was much higher in subtropical region (76.21 per cent) than tropical region (29.28 per cent). The overall growth percentage in sugar-cane supply in the country was 64.69. In 1979-80, the supply of sugar-cane to sugar mills was considerably very low (30 per cent) in India. It increased to around 50 per cent in 1989-90. The supply position in tropical region also increased to 68.35 per cent in 1989-90 from 52.87 per cent in 1979-80. It is also to be noted that sugar-cane supply position in subtropical region also improved during the year. The percentage of co-operative supply of sugar-cane to the mills was only 1 per cent in 1936-37 which increased upto 12 per cent in 1937-38 and it further increased upto 50 per cent in 1938-39. From 1977-78 to 1986-87, sugar-cane supply to the mills was 21.4 per cent in the western region, 21.1 per cent in central region and 38.0 per cent in eastern region. Though sugar-cane supply to mils by co-operatives has significantly raised from 22.40 per cent in 1980-81 to 37.20 per cent in 1991-92, but the supply position presents a fluctuating trend. In 1986-87 the supply was 32 per cent which declined to 26 per cent in 1988-89 and again went up to 37.2 per cent in 1991-92. There has been an increase of 20.73 per cent over the period from 1987-88 to 1991-92. Cane co-operatives supplied 627.55 lakh quintals of sugar-cane to the State sugar mills corporation in 1987-88 which increased to 757.61 lakh

(*Contd.*)

quintals in1991-92. About 21 per cent reported growth rate could be called significant. In the reserved area of 16 km. radious of each sugar mill of the State sugar mill corporation, the production of sugar-cane was 2,460.64 lakh quintals from 1987-88 to 1991-92. Of this, 653.90 lakh quintals sugar-cane were supplied to sugar mills through cane co-operatives. Thus, about 27 per cent of the total sugar-cane produced in the reserved area was supplied to the mills. Bhatni (59.81 per cent), Lakshmiganj (53.11 per cent), Kichcha (53.39 per cent), Khadda (52.90 per cent), Chittamni (50.50 per cent), Doirala (49.67 per cent), Piparaich (49.06 per cent) were the largest sugar mills in which supply level was significant to note. The lowest supply mills were Shahganj (7.32 per cent), Meerut (15.75 per cent), Amroha (16.55 per cent) and Bareilly (13.62 per cent). In 1990-91, a total of 3,275.61 lakh quintals of sugar-cane was supplied to sugar mills through cane co-operatives in the State. Of this, 684.73 lakh quintals were supplied to the State sugar mills corporation (29.90 per cent), 775.51 lakh quintals to Co-operative Sugar Mills Federation Limited (23.68 per cent) and 1815.37 lakh quintals to private sector sugar mills (55.42 per cent). The growth in supply of sugar-cane reported 21 per cent in 1991-92 compared to that of the preceding year.

Table 2: Sugar Industries in UP: Annual Growth Rate
(1970-71 to 1991-92)

	1970-71	*1980-81*	*Annual Growth Rate*	*1991-92*	*Annual Growth Rate*
Total Sugar-cane Production (lakh tonnes)	458.85	576.62	2.34	1047.20	6.17
Area of sugar-cane Reserved (lakh ha)	10.78	12.05	1.50	18.55	4.41
Average Productivity (tonne/ha)	42.57	47.85	1.14	56.45	1.67
Crushing of Sugar-cane (lakh tonnes)	141.82	129.35	– 0.87	246.75	6.18
Sugar Production (lakh tonnes)	13.01	2.24	– 0.58	23.37	6.18
No. of Sugar Mills	71	90	2.42	106	1.67
1. Cooperative	4	17	15.70	31	6.17
2. Others	67	73	0.87	75	0.30
No. of Khandsari Units	—	2636	—	1287	– 4.21
Crushing of Sugar-cane (lakh quintals)	—	805.62	—	816.37	0.10

[*Source:* **Agricultural Situation in India**, August, 1992.]

SUGAR-CANE PRICE

Sugar-cane pricing has many dimensions. Some of the factors which the government takes into account while fixing sugar-cane prices include cost of production return to the growers from alternative crops and the general trend of prices of agricultural commodities, availability of sugar to the consumer at a fair price and also the recovery of sugar from sugar-cane. Though

(*Contd.*)

sugar-cane price has been steadily increasing since 1985-86, the State administered price has shown much more. There has been a very wide gap between minimum statutory price (MSP) and actual factory price (AFP). Since sugar-cane crop is considered as an important cash crop, it involves much labour input and investment along with agricultural risks. As compared to paddy and wheat, farmers are still enjoying comparative advantage, as returns on investment on sugar-cane continues to be higher than the returns on paddy and wheat in UP. Despite the comparative advantage in sugar-cane growing, cane growers want due reward for uncertainty and risk. As a reuslt of this, the Bhartiya Kisan Union and its leaders have gained massive support among the cane growers for remunerative prices for sugar-cane. The movement has raised the demands to successive governments of the State to raise State advised price (SAP).

Table 3: Crushing of Sugar-cane by Sugar Mills

(lakh quintals)

Sector	*Crushing of Sugar-Cane*		*Sugar Production*	
	1990-91	*1991-92*	*1990-91*	*1991-92*
State Sugar Corporation	684.73 (20.90)	770.36 (19.41)	586.20 (19.71)	661.06 (18.12)
Co-operative Sugar Mills	775.51 (23.68)	1036.29 (26.11)	679.69 (22.85)	942.80 (25.84)
Private Sector	1815.37 (55.42)	2161.71 (54.48)	1708.88 (57.46)	1045.15 (56.05)
UP	3275.61 (100.00)	3968.36 (100.00)	2974.77 (100.00)	3649.01 (100.00)

[*Source:* **Sugar-cane Development Department**, Lucknow, 1992.]

As a result of this, the difference between SMP and SAP has been continuously widening during the last few years. Considering this gap, the Indian Sugar Mills Association (ISMA) has always tried to put pressure on policy-making bodies either to eliminate this gap completely or to reduce it as far as possible.

The analysis of different prices of sugar-cane shows that there is widening gap between actual factory price (AFP) and farm harvest price (FHP). This is because AFP had not moved faster than SMP, while FHP moved slowly and also registered wide fluctuations. Fluctuations in FHP had been within the limits of State administered price and statutory minimum price with SMP being the lower and SAP being the higher limit.

The date reveal that from 1980-81 to 1988-89, the minimum statutory price (per quintal) raised to 41.22 per cent while linear growth rate showed 1.2 per cent. The gap between farm harvest price and actual factory price has been registered with a wide gap. During the corresponding period, FHP registered a growth of 15.80 per cent while AFP of 34.31 per cent. With the help of statistical data we tried to find out the indices of difference between farm harvest price and actual factory price. Considering the base year of 1979-80, the indices of difference between FHP and AFP show a very wide gap. In 1988-89, index, shows 348.6 while sugar-cane production index shows only 161.6. It may also be significant to note that the indices of various sugar-cane prices are also found out with fluctuating trend. In 1988-89, MSP (141.22), FHP (11.80), AFP (131.61) and total production (in reserved area) (161.65) indices show the

(*Contd.*)

widening gap. During those years when variations in FHP was within the moderate limits, the acreage and production of sugar-cane also fluctuated very little. But whenever the difference between FHP and SAP increased abruptly the production of sugar-cane declined in consecutive years.

Table 4: Sugar-cane Consumption by Sugar Mills to the Total Sugar-cane Production in Uttar Pradesh

Year	*Sugar-cane Consumption by Sugar Mills in %*
1980-81	22.40
1981-82	31.80
1982-83	26.60
1983-84	24.40
1984-85	22.80
1985-86	24.40
1986-87	32.00
1987-88	31.04
1988-89	26.00
1989-90	32.07
1990-91	32.90
1991-92	37.20

[*Source:* **Sugar-cane Statistics**, UP Sugar-cane Directorate, Lucknow, 1988 and **Rashtriya Sahara**, 29 March 1993.]

RATE OF COMMISSION

As already mentioned, the cane-co-operatives charge two per cent commission for the sugar-cane supplied. In the State, the commission rate has been administered by government from time to time. In 1985-86, the government raised the commission 12 paise to 35 paise per quintal. The commission rate was raised again in 1991-92. It has administered that the commission rate should be fixed on the basis of minimum statutory price by Central Government. On this basis, the rate has been fixed at five per cent of SMP of supplied sugar-cane. It is also significant to note that FHP and AFP have a very wide gap. That is why farmers get comparatively less remuneration. Mostly, farmers sell their produce at farm on farm harvest price. Naturally, cane-cooperatives will get advantage of this trend.

PAYMENT OF SUGAR-CANE PRICE

In UP, payment of sugar-cane price by sugar mills is made through co-operatives. Due to some unavoidable reasons, timely payment of sugar-cane price is not provided to the cane growers. That is why in some parts of the State it has become a political issue. Although the balance percentage has been very low (2.12 per cent), it increased to 27.24 per cent in 1991-92 (the end of 30 April 1992). Although the State government has from time to time put pressure on sugar mills for payment of sugar-cane price in time, but the balance percentage is significant to be considered.

(*Contd.*)

The recent studies reveal that sugar-cane production has been family-based in UP rather than hired labour-based. The cropping pattern has changed drastically the outlook of farmers in the State. Due to poor crushing capacity of sugar mills and low demand of sugar-cane by these mills, farmers are forced to sell their produce to Khandsari units or they generally made gur. Gur processing requires time and labour during winter closing so the farmers are not very much attracted towards this process. The general outlook of the farmers has been to devote his time in agricultural activities. Secondly, farmers are reluctant to grow sugar-cane because of very late payment by the sugar mills. So the need of the hour is to improve the crushing capacity of sugar mills for increased demand and a perspective planning of sugar-cane policy by the State government. If the sugar-cane crop is deemed as cash crop, there is no doubt that a large chunk of the State population will be benefited.

Questions

1. Explain the important features of case.
2. Examine the main problems of case.
3. Suggest strategies for effective and efficient cooperative marketing of sugarcane in U.P.

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6

Marketing Rural Non-Farm Products

Rural Non-Farm Sector (RNFS) plays an important role in the process of economic growth. Almost the entire traditional industry and even some portion of the modern Small Scale Industries (SSIs) forms part of the RNFS. Thus, rural enterprises represent a vast heterogeneous collection of business entities encompassing within it's old artisans working in houses, small workshops in the agricultural sector, agro-processing units using farm surplus, units producing simple consumer items for the rural populace, ancillary units producing parts and subassemblies, handlooms, handicrafts, coir and sericulture, service activities etc. In India, the role of RNFS has always been recognized as an integral part of the development process of the country. These were conceptualized to be cottage and small scale industries, as being important from the point of view of national development since the beginning of the Independent India. This would be clear from the treatment this sector was given by the Industrial Policy Resolution (1948).

RNFS IS IMPORTANT

The Industrial Policy Resolution (6th April, 1948) emphasized that, "cottage and small scale industries have a very important role in the national economy, offering as they do scope for individual, village or cooperative enterprises. These industries are particularly suited for better utilization of local resources and for the achievement of local self-sufficiency in respect of certain types of essential consumer goods like food, clothing and agricultural implements. The healthy expansion of these industries depends upon a number of factors like the provision of raw materials, cheap power, technical guidance, marketing of their produce, and safeguards against intensive competition from the large-scale manufacture as well as the education of the workers in the use of best available techniques". They also provide immediate large scale employment, ensure more equitable distribution of national income and facilitate an effective mobilization of resources of capital and skills and prevent the unplanned urbanization and its consequences. The state has been following a policy of supporting cottage, village and small scale industries by restricting the volume of production in the large scale sector, by differential taxation or by direct subsidies. However, the aim of the said policy was to ensure that the decentralised sector acquires sufficient vitality to be self-supporting and it's development is integrated with that of large scale industry. Therefore, the State will concentrate on measures, designed to improve the competitive strength of village and small scale sector (Rama Rao, 1985).

In the post-reforms period marked by the opening up of the economy and increasing alliance between the large and small scale segments of the domestic market, there was a paradigm shift in the concept of small scale industries/RNFS. This has brought to the fore the

issues of speed, customer preference, quality certification, technology upgradation, cost reduction, professional learning, innovation and promotion.

MARKET IS THE REAL TEST

Market is the ultimate yard-stick with which the sustainability of any economic activity is tested. No enterprise can plead for excuse if it can not pass this test. During the last four decades the rural market in the country has grown highly complex due to a wide range of influencing factors; technological advancement and increase in the managerial competence of the competitors being the two most important in this regard. When markets become complex, they throw out new opportunities as well as challenges. For the rural non-farm sector these opportunities are in the form of improved technology, higher productivity, potential new product lines and new market segments, while the challenges are intense competition from larger and more efficient enterprises and ever increasing expectations of consumers, who are trained to be brand-conscious. The behaviour of markets being highly dynamic, entrepreneurs have come under immense pressure to constantly review their market strategies and skills. Enterprises which falter on this count are compelled to vacate the markets to the aggressive players. When enterprises fail to fulfil this minimum need, no amount of non-marketing support—which could be in terms of subsidised credit, explicit purchase preference for their products by government and its institutions, provision of raw materials at less than market prices, organisational and managerial assistance, technology transfer and skill up-gradation—can help the enterprises to stay in the market. In the back drop of the on-going economic reforms their retention with such non-market external support has become highly difficult. All the same, rural non-farm sector can not be ignored in terms of policy since, it alone is the employer of the last resort to an increasing proportion of rural work force which (i) fails to eke out gainful employment in the already over crowded farm sector, and (ii) feels unwanted by the capital intensive, high-tech and labour displacing organised sector (Gangappa, Narayana and Purushotham, 1998).

MARKET FOR RURAL PRODUCTS

An attempt is being made here to study the market environment for rural enterprises. This could best be done by learning from a study reported by Gangappa, Narayana and Purushotham (1998). In this study 45 micro-enterprises in sub-sectors such as food processing, agro-processing, construction material, handicrafts, textiles, fish-processing, bidi-manufacturing and farm implements manufacturing were studied in two districts, viz., Balasore in Orissa and Beed in Maharashtra.

Among 45 micro-enterprises studied in these two districts, 37 were producing for the local market which was characterised by lower purchasing power and 29 applied traditional technology. This technology has not undergone any improvement either in terms of cost reduction or productivity enhancement or quality improvement during the last several decades. Other 16 enterprises were using either modern or intermediate technologies. However, little competition from outside existed for some traditional technology oriented enterprises such as brick-making, stone crushing and bidi-making. The study clearly observed a product technology - market linkage.

Based on the above study it can be clearly generalised that marketing problems of rural enterprises are quite varied and industry specific. Some industries such as carpentry,

foot-wear, cereal processing, bricks, cement works, stone-crushing, power-looms, stationery, chalk-making, etc. do well in local markets. However, they are not able to stretch into sub-regional market. Small size of their operations, and shortage of working capital incapacitates some sub-sectors in responding appropriately to changes in the market behaviour. The incidence of product obsolescence in some industries in so high that nothing short of comprehensive technology, product and market integration could make the enterprises viable and pass the market test. Most rural micro-enterprises experience tremendous shortage of raw materials, weakening their viability. This leads to marginalisation and declining of certain enterprises, such as 'Ghani-oil' processing. The purchasing power of self-employed rural artisans is declining drastically, making them unable to even buy raw materials. High transport costs and expensive working capital reduces their earnings. Speculators and middlemen also deny them access to cheap raw material. These are some of the factors that reduce the competitive character of rural enterprises.

From the point of view of marketing, these rural non-farm enterprises can be classified into two categories, viz., those which do not have much marketing problems, and the others that experience daunting challenges in marketing. Rural enterprises that enjoy locational advantages as well as low cost labour can be found to be viable and can even face severe competition from brands of organised urban industry. Enterprises such as brick-making and stone-cutting are some of those that do not face any market threat. However, major problems lies with the enterprises which are positioned with competition against large-scale industrial brands. Small size of operations of these units make them incapable of catering to larger and institutional markets.

Even though some enterprises are successful at local markets they could not stretch into regional and external markets due to working capital shortages, lack of fair market environment that ensures speedy realisation of sale proceeds, and lack of critical market information. Wherever they are required to sell to government organisation or single buyers, the sellers could not exercise any freedom in determining price and other marketing terms. The development institutions like Handicrafts and Handloom Development Corporations that have shown a lot of potential in the beginning have eventually turned out to be no better than the existing marketing agents. In spite of these institutions, the rural artisans still resort to the traditional private traders whenever they experience financial exigencies. Marketing institutions that have the potential to guide the rural entrepreneurs towards product improvement have not succeeded in their objective. The rural entrepreneurs continued to use the traditional designs for local markets. What is required is systematic market promotion through building up of market intelligence, product designs, bargaining strength and exploration of new markets (Gangappa, Narayana and Purushotham, 1998).

To concretise, it can be said that during the last four decades the market for the rural non-farm sector in the country has grown complex, throwing out new opportunities as well as challenges. Opportunities are in the form of improved technology, higher productivity, potential new product lines and new market segments, while the challenges are intense competition from larger and more efficient enterprises and ever increasing expectations of consumers who are trained to be brand-conscious. Market development intervention strategies, in this background, have to be location and industry specific.

GOVERNMENT EFFORTS TO STRENGTHEN AND SUPPORT MARKETING OF RNFS PRODUCTS

The Government of India has set up/reconstituted All India Handloom Board, All India Khadi & Village Industries Board, Coir Board, Central Silk for giving required assistance and support for the promotion and development of the industries. These Boards organised the infrastructure for marketing the goods produced in their spheres (Rama Rao (1985).

KVIC'S MARKETING NETWORK

Khadi and Village Industries Commission created a marketing network for selling the products of khadi and village industries, in addition to supply of raw materials, KVIC gives credit, equipment, technical guidance, raw materials and help in marketing the products. The Commission also helps in setting up Khadi Bhavans, Khadi Bhandars, Gramodyog Bhavans which undertake whole-sale and retail sale of khadi and village industries products. KVIC offers largest marketing network ranging from the metropolitan areas to the districts and blocks.

HANDLOOM EMPORIA

The marketing infrastructure of handlooms consists of the apex level cooperative societies in the states and the handloom development corporations which deals with handloom products in the non-cooperative sector. The apex cooperative societies developed sales outlets in metropolitan and urban areas. The more dynamic of the apex societies market on a national scale whereas others concentrate their sales in their respective states. Major Expos are organised in metropolitan cities and cities and mini expos are arranged in towns and urban areas.

The marketing support given by the apex societies to the primary societies is of the order of 50 per cent in Tamil Nadu and Andhra Pradesh. In other states, marketing support is comparatively less. The larger primary cooperative societies of Tamil Nadu and Andhra Pradesh have their own retail sales outlets. Modernisation programme is being drawn up for implementation by various agencies involved in handloom marketing. The NCDC gives assistance for construction/renovation of show rooms. The office of Development Commissioner (Handlooms) provides share capital assistance to handloom apex societies and state handloom corporations. Some portion of this money can be utilised for improving the marketing infrastructure.

MARKETING STRUCTURE OF HANDICRAFTS

Marketing and service extension centres are set-up with the object of providing package of services to artisans in their production & marketing efforts and to improve marketability of the products. These centres have organised several market meets at important commercial centres. Initially, about Rs. 2 crores were contributed towards the share capital of 12 State Handicrafts Corporations and Apex Cooperative Societies so as to help them to buy handicraft products directly from the artisans and provide services to the craftsmen. In the field of exports, registration of exporters, issue of G.S.P. certificates/visas etc. were given. A carpet export promotion council was set up in 1982 and another exports promotion council is being

set-up for other handicrafts. The exports of handicrafts recorded a phenomenal increase from the level of Rs. 80.30 crores during 1970-71 to over Rs. 1,000 crores during 1980-81.

Table 6.1: Classification of Cottage Industries

Sl. No.	*Head*	*Industries*
1.	Agro-based	Ghani oil, processing of cereals and pulses, cane, gur and khandsari, palmgur, bee-keeping, coir, quit processing and preservation and sericulture.
2.	Textiles	Handloom, polyvastra and khadi .
3.	Wood related	Match industry, carpentry, bamboo and care work and handmade paper.
4.	Metal wares	Aluminum vessels, brassware, blacksmithy and agricultural tools.
5.	Leather	Leather processing.
6.	Pottery and ceramics	Terracotta, pottery, ceramics.
7.	Chemicals	Inks, dyes.
8.	Fishing	Dried fish
9.	Miscellaneous	Non-edible oil soaps, lime, gobar gas, minor forest produce, shellac gums and resins.

Khadi Gramodyog: Khadi & Village Industries Commission which has vast network of units provide a variety of consumer products and plays an important role in national development. It is eco-friendly and bio-degradable and provides employment to rural poor. There are 7500 big and small Khadi Gramodyog Bhandars/Bhawan throughout the country. These are run by Khadi Institutions and recognized by KVIC, an autonomous body under the Ministry of Agro-Rural Industry, Government of India. A total of 2500 sale outlets under REGP/Franchise scheme will also set up. At present, Khadi sector is involved in the production of a large number of items that include Khadi (cotton, silk, muslin, and woolen) and a wide range of village industry products such as honey, handmade paper, agarbatti, soap, leather goods, herbal shampoo, oils, processed cereals and pulses etc.

KVIC has made a strategy to adopt all the marketing techniques, especially in the business of retailing, such as modernization of existing sales outlets, computerization in sales, bar coding of products, renovation of old Khadi Bhawans, improving product quality, branding of products, etc. To ensure wider accessibility among consumers, KVIC, has started branding its products. At first, Sarvodaya brand was launched through private channels of distribution at Mumbai by Yashwant Sinha, the then Union Finance Minister in October, 2001 and initially toilet soaps, honey, agarbattis, pickles and spices were selected. Products under 'Khadi' brand have been developed and it has been decided to develop a new range of products such as herbals, essential oils, fine khadi materials, designer garments etc. which was formally launched for test marketing at exclusive khadi stores in New Delhi. Similarly, the brand name for organic food products was identified as 'Desi Aahar'. Sale of organic food product was stated through sale outlets of KVIC IIT - New Delhi, National Institute of Rural Industrialization (NIRI) in Vardha, Agriculture and Processed Food Products Export Development Authority (APEDA) and many other experts in the field are actively giving their support for effective

marketing of organic food products. Khadi fabric is getting fashion touch. A Design Development Cell has also been opened at NID and KVIC (Bombay). In addition to branding of KVIC products, the quality of products is maintained by encouraging KVI units to adopt standard specification developed by agencies like BIS, FPO, FDA, AGMARK, ISO(TOM) standardizing the product specifications as per national and international standards. The production from the KVI sector during 1998-99 was valued at Rs. 93242 millions.

Agro and Food Processing: Agro and food processing sector is characterized by vast resource base, diversity of agro-climatic conditions under which the resources are produced, the chain of intermediaries involved from the stage of production to the final stage of consumption and the signification share of the resources being utilized. Presently, the Indian food processing industry is largely involved in primary processing, accounting for over 80 per cent of the output value. The size of Indian food industry is of the order of Rs. 2,500 billion in 1997, it is expected to double by the year 2005 (McKinsey's). Considering the resources on which they are based, the agro and food processing sector can be categorized in to the following sectors:

- Cereal processing.
- Fruit and vegetable processing
- Animal product foods
- Marine and inland fish processing
- Dairy processing
- Plantation and nut-foods
- Spices and flavour foods
- Oilseeds and oil processing
- Sugar and confectionery products
- Beverage foods
- Backed foods
- Traditional foods

Indian produces about 11 per cent of the world's vegetables and 7 per cent of the fruits. It is second largest producer of fruits and vegetables with an estimated production of over 130 million tonnes, yet, its market share of the world trade in processed fruits and vegetables is less than 1 per cent. The per capita consumption remains at sub-optimal level of adequacy. The fruit and vegetable processing industry comprises (*i*) preservation by canning, (*ii*) preservation by freezing, (*iii*) preservation by dehydration, (*iv*) preservation by freeze drying and (*v*) value added products, sauces, jams, squash, chutneys etc. The processing sector in fruit and vegetable handles only very insignificant share of the total production i.e. 1 percent. The installed capacities of fruit and vegetable processing industry grew from 8.94 lakh tonnes in 1991 to 21.0 lakh tonnes in 1999, while production of fruit and vegetable products showed an increase of 300 per cent, from 3.60 tonnes in 1991 to 9.8 tonnes in 1999. Most of the fruits and vegetables are seasonal preservation and processing make them available in hygienic conditions. Importantly, fruit juice industry has been one of the world's major agro-business. The world trade in fruit juices and concentrates is estimated to be around US $ 5.17 billion in 1995. India's destination of export has remained largely constant, the major importers being the Gulf countries (Saudi Arabia, United Arabs Emirates and Kuwait) and smaller quantities reaching the Netherlands, Federal Republic of Germany, United Kingdom and United States of America.

Market segmentation of food processing industries is as follows:

- **Soap industry:** Onion, tomatoes, garlic, mushrooms, asparagus, parsley bell peppers, cabbage, cauliflower, carrot, etc.
- **Instant-mixes industry:** Snack and savory.
- **Food services:** Canteens, cafeterias, armed forces, ration and expeditions.
- **Confectionery industry:** All dehydration's fruits in different forms and style.
- **Breakfast food industry:** Milk, cereals and fruits and vegetables based.
- **Retail trade:** Good scope for vegetables and fruits in dried form.

India has been one of the largest producers and consumers of a very large variety of species - over 50 species of species totalling over 2.5 million tonnes per annum. Apart from its traditional role to provide the culinary variety, palatability, species are now credited with the roles of antioxidant, digestive and curative properties. Hence, species are now finding much wider acceptance in continental and international cuisines. The processing sector consists of very large number of highly dispersed units in the cottage sector and about 50 units in the organized sector which includes a few units producing value added products like spice oils and oleoresins for export. During 1998-99 India exported Rs. 7058 million worth of processed fruits and vegetables products. The export of fruit and vegetable products grew by 21 per cent during 1994-99. Significantly, world trade in dried and dehydrated vegetables increased from US $ 801 million in 1988 - US $ 1057 million in 1992. Industrialized countries account for almost 71 per cent of total world imports, while the developing countries accounted for 29 per cent. Developed countries have increased their share of exports of dehydrated vegetables from 52 per cent in 1988 to 61 per cent in 1992. The share of developing countries fell from 44 per cent to about 35 per cent during the period. The major items of India's export include dehydrated onion, dehydrated tamarind and dehydrated mushroom. These items of export constitute almost 90 percent of India's export of dehydrated vegetables and fruits. Major importers of mushroom from India are Switzerland, France and Germany. Countries to which onion is exported are United Kingdom, Singapore, German Federal Republic, United Arab Emirates, the Netherlands and Saudi Arabia. Garlic Powder/Flakes are mainly exported to Japan, United Kingdom, Canada.

The size of the Indian Food Industry is expected to grow substantially to about Rs. 5000 billion by 2005. This indicates the potential for growth, in quantitative and value terms, both in the domestic and export markets. However, it requires policy shifts towards holistic development of the industry along with the diversification of agriculture, technological development and strengthening backward linkages of food processing industries.

Powerlooms: The powerloom sector largely meets the clothing needs of the country's population and accounts for around 55 per cent of the total cloth produced in the country. The textile industry (comprising textile mills, handloom and powerloom units) forms an important part of the Indian economy both in terms of employment and production. There were 335791 powerloom units and 1.57 million looms as on December 31, 1998. In 1998, powerloom sector produced 15.65 billion square metres of cloth and employed 3.94 million persons.

Handicrafts: Handicrafts embody the traditional skills of artisans who are a variety of materials - wood, metal, clay, ivory, cloth, etc. to produce consumer articles as well as decorative or artistic products. Today, only artistic and decorative articles are classified as handicrafts. The

All India Handicrafts Board is responsible for the development of the industry while the Handlooms and Handicrafts Export Promotion Corporation promotes exports from this sector. This industry around employs 8.15 million persons and exports of Rs. 6457.69 million during 1997-1998.

Handlooms: The handlooms sector form a part of India's rich heritage and exemplifies the richness and artistry of the weavers. The production of handloom fabrics in 1997-98 was 7,862 million square meters and contributed to nearly 23 per cent of the total cloth produced in the country. The exports of the handloom textiles rose from Rs. 1,759 million in 1996-97 to Rs. 1,860 million in 1997-98.

Case 1: Bee-keeping of Saharanpur, U.P.

Bee-keeping is best suited to Indian climate since bees collect honey from local flora including agricultural crops. Whole world has placed important place to bee-keeping since it is labour intensive and low investment industrial activity with high rate of returns. In the developing countries, it is flouring since large flora and vegetation makes it a successful business enterprise. It is assumed that per bee colony 20-40 kg of honey in a year may be collected. An entrepreneur in California can easily manage 1000 bee colonies through mechanical devices. The fact remains that North America, USSR, England, European counties, Australia, New Zealand etc., are practising bee-keeping as business enterprises, while South America, African and Asian countries are still in the earlier stage of production process.

Bee-keeping is mainly concentrated in three development blocks namely Nakur, Gangoh, and Rampur Maniharan in Saharanpur district. There are about 300 bee-keepers in these blocks. About 90 per cent bee-keepers are active. Mr. Ajai Saini and Tanjim could be considered as pioneers to start bee-keeping in Saharanpur. In 1991-92 KVIC started financing bee keeping. This was further promoted by IRDP scheme in 1994-95 and 1995-96. The two main factors contributed the growth of bee-keeping in this area namely abundance of flora and trading network. About 3 years before, there were about 8000 bee-keepers in above mentioned three blocks. Due to adverse weather, bee-keeping could not turn out to be good. Three bee-keepers have more than 1500 colonies each. Majority of the units are self-financial while during 1994-95 and 1995-96 about 2000 bee-keepers were financed under IRDP and TRYSEM schemes. There are 6 traders engaged in bee-keeping and a large number of registered societies are engaged in bee-keeping.

Annual income of bee-keepers has computed Rs. 1.31 lakh. During 1997-98 to 1999-2000 production of honey and wax has increased by 7.11 per cent. Per bee-keeper, average number of colonies has been found 196. Average investment per bee-keeper has been found to be Rs. 7.41 lakh. Cost of production has declined sharply by 40.45 per cent during three years. Average cost of production was reported Rs. 3.48 lakh in 1997-98 which declined to Rs. 2.37 lakh in 1999-2000. About 40 per cent of sales is the profit. Average worker per bee-keepers was reported to be 32. Market has expanded. Largely bee-keepers sell their products locally to big buyers of Saharanpur. Now some have started exploring markets in big cities and metropolitan cities. Dabur also locally purchases honey from bee-keepers. The main problems in bee-keeping are reported to be (*i*) lack of technical knowledge about queen rearing; (*ii*) lack of quality in extraction and storage of honey; (*iii*) lack of knowledge regarding diseases control and rearing bee-queen; (*iv*) limited marketing scope; (*v*) poor maintenance colonies; (*vi*) limited

(*Contd.*)

availability of raw materials; (*vii*) increasing competition with substitutes; (*viii*) high cost of production; (*ix*) lack of marketing intelligence etc.

Questions

1. Give a SWOT Analysis of bee-keeping of the district.
2. Discuss the problems in marketing context and suggest a suitable marketing plan.
3. Analyse the case and explain policy imperatives.
   [*Source:* **A.K. Singh**, UNDP Project, 2001.]

Case 2: Aurangabad Pottery, Gorakhpur, U.P.

The origin of pottery in India can be traced back to the neolithic period. Course and handmade wares representing pale grey, red, orange or pale red, brown, or reddish brown black and cream wares were prevalent. As per census of 1991, 44 lakh population of potters in India was reported, showing the growth of 46.67 per cent since 1961. Again, out of total potters in India i.e. 7.95 lakh, 24 per cent live in urban areas while roughly three-fourths live in rural India. There has been sharp decline of 31.51 per cent in number of potters engaged in pottery activities during the period of 1961 to 1991. The reasons for the decrease in the number of potters, over the years may be non-availability of good quality raw materials at reasonable prices, high cost of production of finished goods due to indigenous type of tools and equipment used for manufacturing pottery products, high cost of fuel used for baking the pots, high breakage rate of pottery products in the kiln and lack of adequate marketing facilities available to them.

As per KVIC, there are 13.88 lakh potters engaged in village pottery activities in India and out of them 94.17 per cent potters are engaged in red clay pottery work. In U.P. 2.74 lakh potters were reported and 96.96 per cent found engaged in red clay pottery work. Major centres of ceramics goods production in the state are Khurja (Bulandshahar), Chinhat (Lucknow).

Aurangabad is located 20 km. away from Gorakhpur on Gorakhpur-Mahrajganj main road. There are 11 villages where significant number of potters live. The cluster is famous for terracotta produces in India. A large number of items are exported to USA, Germany, Holland etc. The cluster became famous since 1964 when for the first time, award for excellence in pottery was awarded by Pt. Nehru to Master Craftman Mr. Sukhraj and Smt. Sukhraj.

There are 16 potters in the cluster. Out of 16 potters, 12 are individual potters while 2 are dormant. There are 7 registered societies engaged in terracotta work. During 1997-98 to 1999-2000, average production has increased by 16.27 per cent. Value of raw materials used by per potter family has increased by 138.59 per cent during last three years. Total cost of production of pottery products has sharply declined upto 5.22 per cent, which shows introduction of cost reducing technology. The sales of pottery products has increased by 137.22 per cent during last three years while profit has increased by 29 per cent. Interestingly, artistic terracotta potters are getting huge profits with large margins while traditional potters are facing tough competition in production and marketing. The potters are manufacturing a wide range of terracotta products while traditional potters are utilizing traditional techniques of production and lack skills, marketing, intelligence and marketing facilities.

(*Contd.*)

Questions

1. Give a SWOT Analysis of Terrakotta products.
2. Analyse the case and discuss policy imperatives.
3. Explain marketing mix for marketing of pottery and terracotta.
   [*Source:* **A.K. Singh**, UNDP Project, 2001.]

Case 3: Cottage Giant

Khadi & Village Industries Commission was set up in 1957 under an Act of Parliament to promote khadi and village industries. It is now one of the largest and fastest growing consumer markers. It grew its revenues 14 per cent last year compared to HLL's flat top line. Last year, Mr. Mahesh Sharma, Chairman of the 54 year old pulled KVIC in mere Rs. 1.44 lakh in pay compared to Rs. 215 lakh of Hindustan Lever Ltd.'s chairman M.S. Banga. Although KVIC is a little known government owned enterprise, it chocked Rs. 10,193 crore in sales last year. Rs. 293 crore more than HLL making it the biggest marketer of consumer products in the country. KVIC sells goods ranging from soaps to shampoos to processed foods to leather products, handmade paper, besides handloom and khadi, through 7000 odd stores across the country. It has generated employment for more than 66 lakh people so far and could do so far another 25 lakh by 2006. It has helped up 6000 cooperative institutions and has funded 165000 village entrepreneurs. And over the last five years alone, it has invested Rs. 5000 crore in venture promotion. KVIC has set up with the express purpose of promoting village industries and operates like a huge incubator. It helps village entrepreneurs by funding up to 30 per cent of their project cost (upto a maximum of Rs. 25 lakh). Then, it weighs in with technical support, helping them source raw materials, set up their small factories or units, and finally get their products across to the consumer. In the current five year plan (2002-07), KVIC will invest Rs. 7500 crore in promoting village industries, add 100 out lets every year, even invest Rs. 2000 crore in biotechnology.

To face the emerging challenges, KVIC recently has set up a marketing unit Confederation for Promotion of Khadi & Village Industries (CPKVI) which will do its bit to find buyers. The CPKVI has already produced orders worth Rs. 18 crore from the government this year for shoes, honey, pickles, soaps, leather items and khadi textiles. This will be passed on the various societies and village industry units. The shares of overall sales of KVI's products are as follows:

1.	Honey, processed foods and cereals	32 per cent
2.	Soaps, leather and rubber goods	21 per cent
3.	Pottery and lime manufacturing	15 per cent
4.	Rural engineering industry	14 per cent
5.	Handmade paper, bamboo, agarbatti	8 per cent
6.	Khadi	5 per cent
7.	Polyvasta and textiles	3 per cent
8.	Services	2 per cent
	Total	**100 per cent**

(*Contd.*)

Questions

1. Do you think that KVIC has attempted to cope up with globalization and liberalization of economy? Substantiate your argument, with suitable marketing plan for marketing of KVI's products.
2. Analyse the case in the frame work of SWOT approach and suggest strategies to promote KVI's products in U.P.
   [*Source:* **Business Today**, November 21, 2003.]

Case 4: Vardan

Dalmia Consumer Care (DCC) is a start up FMCG concept marketing company set up to develop and retail innovative packaged products in the oral gratification space. Its mission - to ensure that each product offered by the company is healthier and safer for human consumption. The first product identified for launch by DCC a tobacco free biri branded Vardan is the outcome of unique research conducted by another Dalmia Group Company, the 13 year old Dalmia Centre for Research and Development (DCRD) at Coimbatore. By packaging the tobacco - free formulation into a tendu leaf biri, called Vardan, DCC is offering the world's first non-tobacco alternative that simulates the pleasure of tobacco and minimise the kick without the ills associated with tobacco. Vardan is healthier and safer - a promise of unique value.

Even as the product was undergoing final development, DCC researched more than 1 lakh consumers across four metros since March 2003, to test acceptance of the novel concept of a non-tobacco biri. In the process of conducting the usage and attitude study, DCC garnered amazing understanding on the socio-economic profile of the biri smokers, their consumer awareness and knowledge, as also media habits. The study reflected the need to respect the knowledge of this large consumer segment. Research revealed that unlike cigarette smoking, biri usage is part of a camaraderie where sharing the mantra. Biri addition is part of a habit that is perhaps the only indulgence of the consumer in a daily grind of life. Biri usage ranges from light to strong biri, with regional variations, that span brands, lengths, and shapes and fill quantity. DCC test marketed every single aspect of the product prior to its launch including the name, need for a more modern, damp proof attractive plastic packaging; in shop visibility, retailing, and even the press adds, cinema/cable slides, and radio jingle. The recent introduction of smaller sachet packs of 5's (for Re. 1), and 10's (for Rs. 2) that has followed the more conventional 20 bundle is based on consumer requirement.

Research showed that the biri and the rural mind set go hand 80 per cent of the smokers in India smoke biri not cigarettes. A conservative estimates reveals consumption of 10800 crore biri sticks per month - 15 crore per hour. And this is not just because they are cheaper but because they go with the rural mind set.

DCC is committed to servicing millions of consumers in towns, slums and villages through effective sales promotion at haats, fairs, and also through retail network. By 2005, DCC will research out to consumers through 6 lakh outlets in 1250 towns and it would not have even touched the tip of the iceberg.

Questions

1. Do you think that DCC has planned for marketing 'Vardan' according to the mindset of rural consumers?
2. Suggest an alternative approach for marketing of tobacco free cigarette - Vardan in metros.
   [*Source:* **Business Today**, Collected Edition, Vol. 4, 2003.]

Case 5: Amul

Cooperative movement, which began in the early 1990's aimed to pool the meagre resources of small landholders and enterpreneurs, who found it hard to sustain themselves individually in the free market that was driven by exorbitant interest rates. The cooperative movement allowed the rural economy to tackle problems relating to credit, and provided an alternative for procurement of inputs and marketing of final products. Though the cooperative movement faced serious problems in several parts of the county, one big success story has been that the dairy cooperative, Anand Milk Union Ltd. (AMUL), in Gujarat. This model of cooperative functioning was a highlight of the cooperative movement in India, and it has empowered thousands of men and women of poor societies of rural Gujarat. This has also served as a model for cooperative dairy development in other states. Recently, e-commerce has been introduced to disseminate marketing information among producers and marketers.

The Khaira District Cooperative Milk Producers Union Limited - popularly known as AMUL has formally registered on Dec., 14, 1946. The Union's decision to supply milk to the Bombay Milk Scheme in June 1948 provided a added incentive to the farmers to join the union, as they now assured of a readymade market. Dairy Cooperatives existed at the village level, with a processing unit, called a union at the district level. Inspired by the Khaira union, similar unions were formed in other parts of Gujarat. In 1973, these unions merged to form the Gujarat Cooperative Milk Marketing Federation Limited (GCMMFL). It become the sole agent responsible for selling the wide-range of AMUL products. The Anand Cooperative Movement with the initial capacity of 250 ltrs. of milk per day in 1940's, gradually expanded to more than a thousand villages and 6 million litres of milk and milk products collected, processed and distributed across the country by 2004.

The logistics adopted by AMUL in collecting more than 6 million litres of milk per day from 10755 villages cooperative societies spread through out Gujarat and then processing it to produce the final packaged milk and milk products, set new standards in logistic management in India. The AMUL pattern of Cooperative farming represented a system that was collectively owned operated and controlled by farmers. It was an integrated, three tier structure that procured, processed and marketed the produce. The three tier involved in the AMUL model of dairy farming included the village societies (responsible for primary produce and collection of milk), the district milk union (responsible for milk procurement, chilling and supply of technical inputs) and the milk federation (responsible for processing and marketing of the final products). The village cooperative society of milk producers was the smallest and the basic unit under the AMUL pattern. The Village Dairy Cooperative Society (DCS) was a voluntary association of milk producers, who wished to market their milk collectively. Any producer could be a member of the DCS by paying an entrance fee and buying a share of the society. In addition every member was committed to sell surplus milk only to the cooperative after meeting their family requirements. Each DCS had a milk collection centre, where the villagers deposited evening. The quality of milk was measured and tested for quality. The price of milk was fixed according to the quality of the produce, and the payments were made to the farmers accordingly. The District Cooperative Milk Producers Union was owned by the village cooperative societies in the district. The milk unions brought the milk collected in different village societies and used their hired vehicles to transport the milk from the collection centres to the chilling/processing plants. These unions also provided additional services to the DCS; and their members, in terms of value added technical inputs like veterinary and animal health care, artificial insemination,

(*Contd.*)

balanced cattle-feed and fodder and training and consultation facilities in a committed effort to increase milk production. The milk derived profits from selling the processed milk to the state federation. The federation was responsible for processing and marketing of milk and milk products across India.

Questions

1. Explain the success story of AMUL.
2. Suggest marketing mix plan for marketing of PARAG Products in U.P.
   [*Source:* **Master Marketing Mind**, Dec., 2004.]

Case 6: Handmade Paper Industry

Handmade paper industry is one of the oldest traditional industries in India. With the sustained efforts of KVIC during last decades the industry had gained importance and had been recognized as one of the potential industries under the KVIC despite its stickness in several pockets of the country. With better planning, monitoring, co-ordination and pooling of resources it is possible not only to revive the sick units but also expand the activities throughout the length and breadth of the country. The industry is a eco-friendly and adopting a holistic market approach with active involvement of enterpreneurs, artisans, dealers, printers and exporters, NGO's etc.

With the revival programme of KVIC, there are 438 working units (231 HMPI, and 207 paper machine units) which have achieved a production of paper board to the tune of 12356 tons handmade paper/board valued over Rs. 1506 lakh during the year 1993-94. The industry has provided gainful direct employment to around 6820 persons of whom around 40 per cent constitute women workers and persons from weaker sections of society. The pattern of local production is as follows:

1.	High grade paper	20%
2.	Writing and printing	05%
3.	Fancy and decorative paper	10%
4.	Filter paper and filter pad	05%
5.	Card sheets and board	35%
6.	Cover & stationery	20%
7.	Industrial paper	05%
	Total	**100.00**

The conventional raw materials used by the industry are old and new cotton rags, waste paper, jute, grass and straws are also used but on a very meager scale. The industry requires nominal investment and working capital. It requires equipments like hand knives, dhanki for pulping, pumicestone for hand glassing, chopper, hollander beater, and hydraulic press, calendering machine and cutting machine besides peddle operated unit-vats in place of dipping method vats for sheet lifting. KVIC has also approved introduction of cylinder mould vat up to 30 face size, as a part of adopting intermediate technology. UNDP has also assisted the growth and development of handmade paper industries, particularly in Sanganer of Jaipur (Rajasthan).

All India Handmade Paper Industries Association, Kagzies of Sanganer offers a strategy for market development as the immediate objectives of the project was initiated. UNDP has also provided exposure to the enterpreneurs, though participation in New York Paper Stationery

(*Contd.*)

Show in May, 1992, and other international and national trade fairs. Handmade Paper Department, Sri Arvindo Ashram, Pondicherry, Handmade Paper Institute, Poona, and a few units of Kalpi (U.P.) have made significant progress in the field of marketing of products. Shankar Gramodyog Sewa Sansthan, Hapur (U.P.). A.L. Paper House, Sanganer, (Jaipur), Pawan Patram, Kalpi (U.P.), Swastik HMP Unit, Kalpi (U.P.), etc. have their export houses. There are about 45 HMPI's units in Kalpi, U.P., however, over 90 per cent units are defunct today. Only a few units have their proper marketing approach and manufacture as per market demands while most of the units are using outdated technology of production, low product profile and offer poor quality produces.

Questions

1. Suggest a suitable marketing strategic plan for marketing of handmade paper and board.
2. Discuss the prospective marketing mix of handmade paper industrial products of Kalpi units.
   [*Source:* **Kamal Taori, Marketing of Unorganized Sector**, Regency Publications, Delhi, 1995.]

Case 7: Small Industry Products

A study conducted by S.S. Khanka during 1990-92, covering the sample of 50 small scale industries of rural Kumaun Division of undivided Uttar Pradesh, reveals the following facts:

1. Channels of Distribution: (*i*) Direct 54 per cent; (*ii*) indirect - 30 per cent; (*iii*) both 16 per cent.
2. Channel Mix Used: (*i*) door to door selling 10.7 per cent; (*ii*) Branch or show rooms 44.0 per cent; (*iii*) large and medium industrial units 46 per cent and (*iv*) departmental sales 52 per cent.
3. Advertising the Products: (*i*) 40 units advertise their products while 60 per cent units do not advertise due to (*i*) abundant demand (43 per cent); (*ii*) fixed customer (30 per cent); (*iii*) prohibitive cost (10 per cent); (*iv*) not necessary for small units (17 per cent).
4. Only 6 per cent units spent some money on marketing research or survey of their products.

Questions

1. Discuss marketing mix for marketing of rural industrial products.
2. Suggest strategies for marketing of small scale industrial products.
3. Analyse the research findings and suggest a suitable marketing plan.
   [*Source:* **S.S. Khanka**, Kurukshetra, Nov., 1999.]

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7

Rural Communication

Rural Communication has recently emerged as a key concern for communicators of both profit-oriented corporations exploring rural areas to expand marketing their products, as also by those in social service institutions trying to reach social (especially) health related messages in rural, tribal and far-flung areas in the countryside. It is, therefore, important for us to understand this entire issue, including its key concepts and communication scenario in rural areas.

This chapter, in order to understand the key concepts of rural communication, attempts to explain the communication process in rural areas, showing as to how much of the rural communication goes waste as 'noise'. There are a number of factors that make rural messages effective. These factors have been elaborated. Media is of two types: (*i*) Mass Media, and (*ii*) Traditional Media. The utility of mass-media in rural communications is enormous (Aneja, 1992). However, non-conventional media (call above as traditional media) is often seen to be more effective among the rural audience. Effectiveness of the media to be used for rural communication is important. Factors that affect media effectiveness are: (*i*) audience profile, (*ii*) media preferences, (*iii*) channel and programmes viewed; and (*iv*) audience behaviour. These factors have been discussed in this chapter. There are several challenges facing rural communicators. However, there are several strategy options available to them. These challenges and available strategy options have been surveyed in this chapter. Rural communication is best applied when it follows a participatory approach, involving participation of rural audience. This chapter will guide the readers to this approach. Finally, Information and Communication Technologies (ICTs) have revolutionised rural life having a direct bearing on rural communication. This chapter ends up with a survey of this ICT scenario in rural areas.

KEY CONCEPTS

The Communication Process Model

In order to understand as it how the communication takes place, the following model is used:

As can be clearly seen from the above mode, a sender sends (an encoded) message, using a selected media, which the receiver receives after having decoded it (so as to be properly understood). The receiver (or the target audience 'responds' back to sender (of the messages), to whom this response also works as a feedback on his message/media. The sender can, next time, modify his messages or selection of media suitably. It is also apparent from the model that much of the message could go waste as 'noise'. This could happen due to several reasons. The messages having not been encoded properly; inappropriate selection of media; improper

message; messages not having been decoded properly. The net effect is that the senders message do not reach, the target audience (or receiver), or having reached it may mean nothing, or atleast not meaning what it is intended to have been communicated.

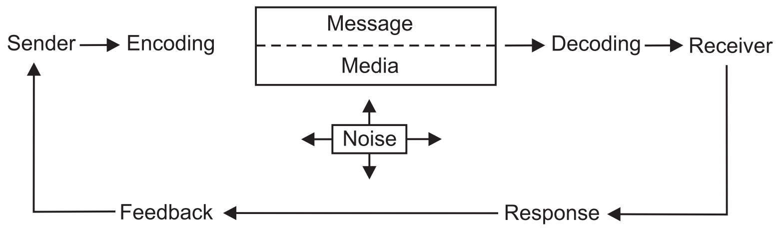

Fig. 7.1: The Communication Process Model

[*Source:* **Velayudhan** (2002), p. 90.]

The rural environment has a lot of influence on the receiver and therefore he or she may not receive the intended message for any of the following three reasons: (*i*) selective attention: where the consumer may not notice the stimuli provided; (*ii*) selective distortion: where the message is twisted to hear what the consumer wants to hear; and (*iii*) selective recall: where the consumer permanently retains only a small fraction of the messages that reach him/her (Velayudhan, 2002, p. 90). This is clearly 'noise' as shown in the communication process model shown above.

EFFECTIVE MESSAGES

A major challenge for rural communicator is how to make the communicated messages effective. Velayudhan (2002, p. 102-104) identified a number of factors affecting of effectiveness of messages. The message must be meaningful to rural consumer. According to him, message decisions need to take into account the following aspects for their effectiveness :

- **Languages:** The message has to be understood. This requires communicating in a language that is meaningful to the consumer. This suggests:
  - a message that is simple
  - the use of appropriate words
- **Pictorial Presentation:** The use of visuals as part of the message is important in rural markets as literacy levels are low. This includes:
  - use of pictures and colours
  - use of symbols, including logos
- **Message form:** The effective communication to rural consumer should be:
  - utilitarian
  - narrative
- **Source of the Message:** Credibility of the source is critical for rural markets.
- **Context Association:** Associations create interest, hold attention and provide meaning.

The aspects that have influence include:
– products of interest to the rural consumer
– relevant settings (Velayudhan, 2002, p. 102-104).

This entire situation has been shown with the help of Figure that follows:

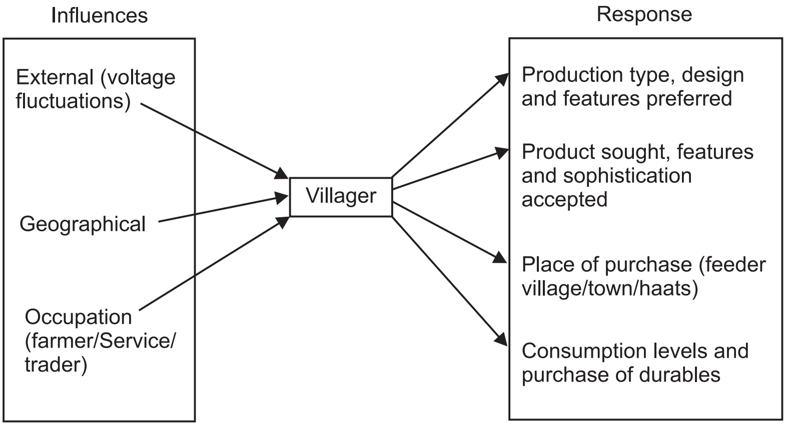

Fig. 7.2: Influence on Behaviour and its Implications

[*Source:* **Velayudhan, S.K.,** 2002.]

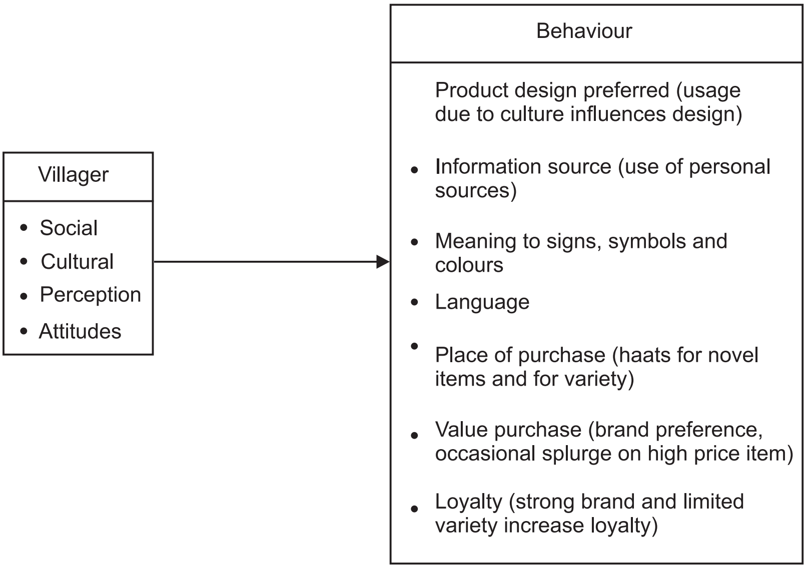

Fig. 7.3: Social and Behavioural Influences

[*Source:* **Velayudhan, S.K.,** 2002.]

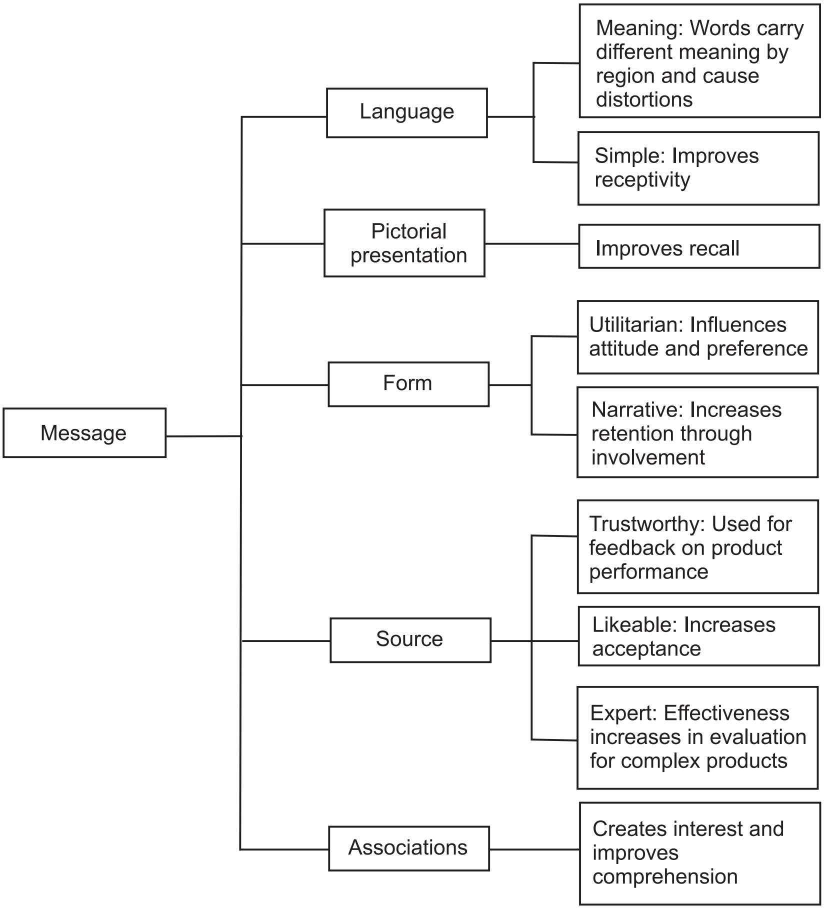

Fig. 7.4: Message Decisions
[*Source:* **Velayudhan**, 2002, p. 103.]

(*i*) **Language:** Message should reflect culture and religion of audience, taking into account religion, festivals and local sentiments. Das Gupta and Menon (1990) showed how Dabur distributed religious texts or calendars with religious themes with their products. Ghosh and Krishnaswamy (1997) how a soil conditioner used figures of mythological image to market their product in rural areas. It is also important to note that rural audience appreciates messages that are simple, comprehensible and in a language understood by them. Experience of Jain (1983) is interesting in this context.

(*ii*) **Pictorial Presentations:** Visual messages have enormous appeal on rural audience and an excellent recall. They are, therefore, very effective. This is shown by the study reported by Das (1994). Use of signs, symbols and pictorial presentations - design of product, packaging, including shape, size and colour, all help create a strong image in the mind of rural consumer. Krishnamurthy (1999) has shown this in the study he reported.

(*iii*) Form of Message: Rural consumers prefer utilitarian message that link benefits that they can derive out of products. Messages can also be narrative in form. Use of story-based commercials is an example of narrative messages.

(*iv*) Message Source: Message source can be a person communicating to rural consumers. Persons can be (*a*) a likeable source: (*b*) a trustworthy source; (*c*) an expert source. Likeable source: Can be film-star representing 'son of the soil' image marketing a product. Study reported by Rajan (1992) showed how it can boost sales. Trustworthy source: Can be friends, relatives or neighbours having used/possessed the product. Sirbhaiya (1993) showed that most important interpersonal source was the person who possessed the product, and was a trustworthy source. Expert source: Are opinion leaders consulted by rural buyers. Sirbhaiya (1993) showed how, for example, a Mistry (mechanic) was an opinion leader for purchase of bicycles and a Darzi (Tailor) consulted for purchase of sewing machines. Thus there are expert message sources.

(*v*) Associations: On Context associations create interest in the product and improve comprehensive. Recall of advertisements on products of relevance to rural audience was higher than that to urban audience. This was observed in a study by NCAER on the 'Socio-economic effects of advertising' (Velayudhan, 2002, p. 110). The rural audience is influenced by the rural context of the advertisement. Advertisements showing urban settings might not find favour amongst rural consumers. Hence, besides trying to create an interest in consumers, advertisement must show relevant environment or situations.

MEDIA

It is important to understand the media that is being adopted by rural marketers. The forms of media used are of two types:

(*i*) Mass Media (or Conventional Media): Including Television (Satellite channels/local cable networks), Radio, print, cinema/theatres, word of mouth, video on wheels. These are also termed as modern media.

(*ii*) Traditional Media (Non-Conventional Media): Including Puppetry, Folk theatres, demonstrations, Haats and Melas, wall paintings, post cards and posters.

Ramkishen (2002, p. 112) has provided a diagrammatic representation of forms of rural communication media, which is reproduced here below.

Much is known about use of conventional media for rural communication, and their potential has been enormously utilised by profit-oriented commercial organisations as also by the social service organisations for social-marketing.

TRADITIONAL

(Non-Conventional) Media: However, according to Velayudhan (2002), p. 122, non-conventional media is seen to be effective among the rural audience. A number of non-conventional media are available, some of which are wall paintings, audio-visual vans and demonstration and sampling. Velayudhan (2002, p. 122) has listed following as Non-Conventional Media.

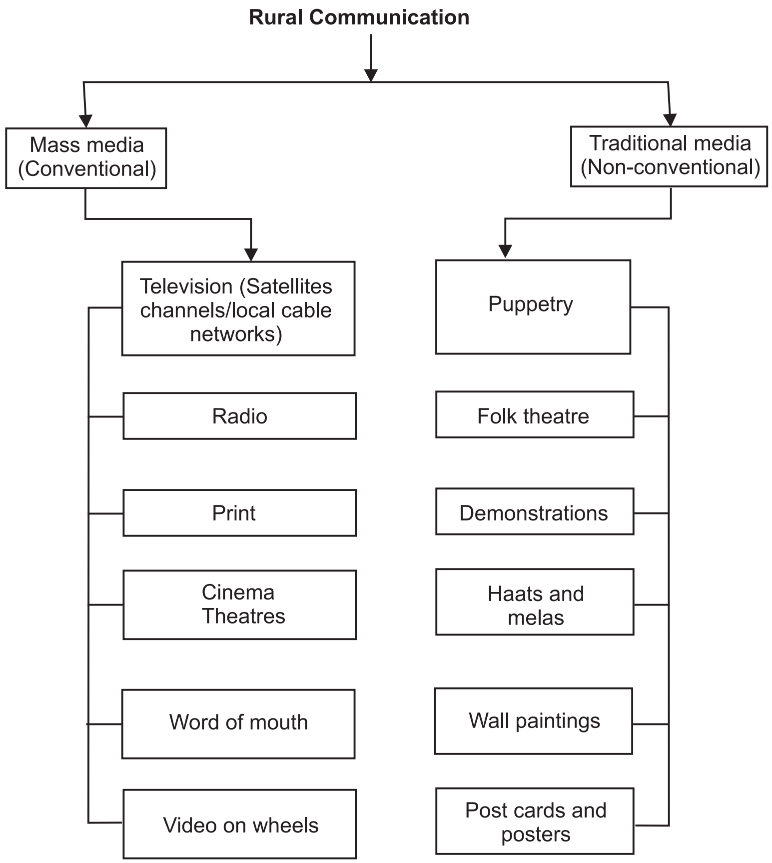

Fig. 7.5: Media Channels

[*Source:* **Ramkishen Y.** (2002), p. 112.]

Non-Conventional Media

Local promotional activities could include:

- wall paintings
- direct mail
- banners placed on elephants parading through main bazaars
- puppetry
- processions, tableaus, floats, etc.
- contexts to promote the products
- audio visual vans
- stalls, hoardings and audio-visual publicity at local fairs
- point-of-purchase channels
- demonstration and sampling at haats and fairs.

[*Source:* **Velayudhan** (2002), p. 122.]

Communicating using non-conventional media is effective in rural settings. Wall paintings, and mail to opinion leaders help reach the rural consumer. Puppetry, drama, messages on objects of interest, and giant cut-outs generate interest. Tableaus, audio-visual vans, point-of-purchase channels, and contests create product or brand knowledge. Interactive communication at points of contacts, stalls at 'Haats' and 'Melas', and demonstration and sampling educate and persuade the rural audience. This situation has been demonstrated with the help of a figure here below.

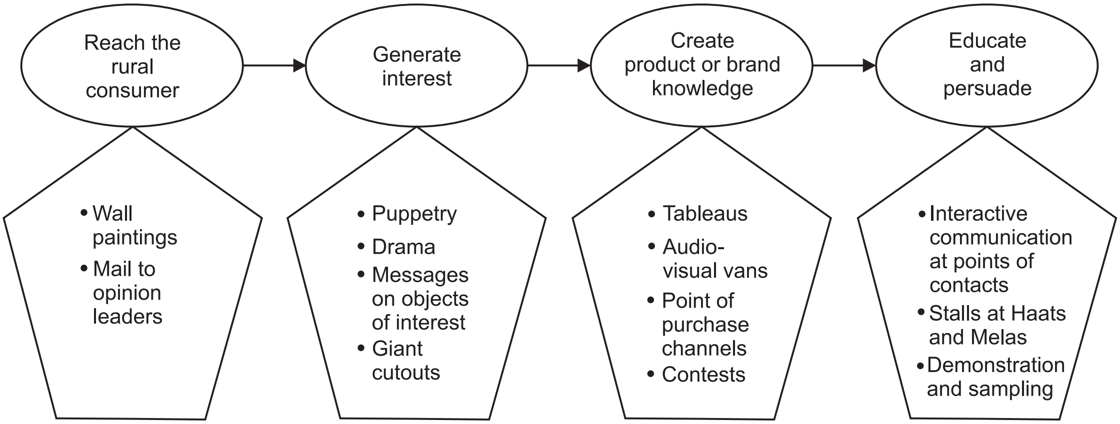

Fig. 7.6: Communicating Using Non-conventional Media
[*Source:* **Velayudhan** (2002), p. 123.]

MEDIA VEHICLES AVAILABLE

Mass Media (Conventional Media)

(*a*) **Television:** The most powerful medium of communication in rural areas. Television has major advantages over any other medium of communication, which are as follows: (*i*) No strain: on user, who does not have to make any effort to use it (except switching it on); (*ii*) has sharper impact: and better recall; (*iii*) has greater reach: as compared to print media; (*iv*) has family receptivity: which means that entire family can receive message simultaneously. The TV sets are owned both by households and by village community centres. Survey by NRS-ORG reveals that 31 percent of adult rural population watch TV. TV watching habit is strongest in west and weakest in South India. The use of TV in villages depends on two major variables: (*i*) price of TV set; and (*ii*) level of rural electrification (Aneja, 1992). Television is a critical change and development agent, and the most potent engine for marketing and communicating messages concerning social issues. Television is popular with an increasing number of rural populations. Almost half the rural population can be reached by the total mass media, i.e., television, press, radio, and cinema. DD-1 is the channel with highest viewership. For mass products, popular network programmes can be used to the marketer's advantage (Velayudhan, 2002, p. 112-117).

(*b*) **Radio - High Audience:** Transistor and radio are visible even in villages with population as low as 500-1,000. In markets with a population of about 10,000-15,000 most homes have radios or transistors. Due to their low price and easy availability, transistors are a common sight in rural markets. An ORG study showed that rural markets comprise 56 per cent of the total market for (transistor or torch) batteries in the country. Another ORG-NRS survey indicated that 32 per cent of adult population in rural areas listen to primary channel and 24 per cent listened to Vividh Bharati. Listenership of radio is highest in South and poorest in West India. Radio has maximum regular reach compared to any other medium (Aneja, 1992). Radio is a popular media. Besides AIR's primary channel programmes, Vividh Bharati is also heard regularly. It is not only farm news and Samachar but film music that is popular. This is because rural consumers listen to the radio throughout the day. The sponsor has to exercise care in the media and it's usage as otherwise the message is unlikely to be heard among the target audience. For instance, a tractor jingle of 11:00 p.m. hardly has a rural audience and is of little advantage to the advertiser (Velayudhan, 2002, p. 119).

(*c*) **Print Media (Press):** The poor levels of literacy in rural India underscores the role that press can play in advertising products for rural consumers. Within which the reach of regional language magazines and newspapers is much better that of English national magazines. Studies conducted by National Readership Survey and OGR revealed that only 9 per cent of rural adult population read any newspapers or magazines. Moreover, only 6.8 per cent of total adult population read newspapers or magazine on a daily basis. The implications of these trends are: (*a*) The press has highly limited role in reaching rural consumers. (*b*) The regional press, in local languages, has a marginally better reach, than the national English press, in reaching rural consumers. (*c*) There is a direct co-relation between literacy levels and readership levels. The Press can be considered as a key medium for advertising only in states having high literacy (Aneja, 1992). Newspaper normally reach the feeder market or small towns and are read in shops or roadside hotels. In some cases the newspaper is read at common gathering/meeting. Social gatherings or friendly get togethers differ from village to village. In Nayadih village near Jamshedpur, the most was a common meeting place in the evening or after prayers. The younger generation also frequently meets in the evening (Sirbhaiya, 1994, quoted by Velayudhan, 2002, p. 119-120).

(*d*) **Cinema:** Cinema advertising (in rural areas) is in form of slides, or 30 seconds to 1 minute commercials. Normally regional brand marketeers use slides, occasionally manufacturers of national brands also use slides. Slides are much cheaper than commercials. Impact of slides is much less. National brands are normally advertised through commercials, which has better viewership and impact compared to slides. However, viewers largely tend to skip watching slides or commercials and chose to spend time outside the cinema hall One ORG-MRS Survey showed that 36 per cent of rural adult population watched cinema. Of the total number of cinema viewers in the country, half are based in the South. Cinema viewing is fast declining in urban areas, due to onslaught of videos, which are uncommon in rural areas. Therefore, cinema continues to be the most popular medium of entertainment in the rural areas (Aneja, 2002).

(*e*) **Word-of-Mouth:** Marketeers have so far not given adequate attention to the phenomenon of 'word-of-mouth' in rural areas. Information about new products, quality and performance of a product travel expeditiously through word-of-mouth. Some of the routes and occasions for 'word-of-mouth'. Information processing are as follows: (*a*) Weddings, social functions: when people exchange news and information. (*b*) visit of relatives from urban areas or small towns: when their life-style and communicated information acts as advertisements for consumer products. (*c*) traders/shopkeepers: often visit semi-urban feeder markets about once a fortnight. They carry information about products back to villages. (*d*) occasional visitor/passers-by: travellers, traders, lorry-drivers, visit or pass-by, spread information about products. (*e*) students: going to urban/semi-urban areas, often bring consumer products (or atleast information about them). This is how 'word-of-mouth' works as a very important vehicle of rural communication (Aneja, 2002). The 'word-of-mouth' recommendations in the villages make a significant difference to the success of the brand. A rural consumer, happy with the products, recommends it to his relations and friends.

(*f*) **Video/On wheels:** The biggest threat to cinema, in the rural areas, in the next five years, will come from video-parlours in villages. These video-parlours charge about Rs. 1-2 per person per show. The ORG-MRS survey reveal that 14 per cent of the adult population in the rural areas are video-viewers. The east and north lead the country in video-viewing. The highest percentage of adults watching video is in the east and south. Video is, quite clearly, the future product of the rural areas. The video is going to be high on the shopping list of the farmer as soon as his purchasing power pursuits him to buy it (Aneja, 1992). India's leading ad agency for the promotion of video vans in video-on-wheels located in Andheri (Mumbai). It is an innovative concept to promote advertising to the target markets. The van moves around villages, with the side panels exhibiting the products. The vans play video with product information in each village (Ramkishen Y, 2002, p. 118). Vans and video vans have had a mixed record. While some marketers have found them very useful to communicate and promote their products in rural markets, other marketers do not find the vans viable on a continuous basis. The weakness of this system can be attributed to the sheer logistics of such an exercise; complicated further by bad weather, road conditions, local body regulations, incorrect identification of villages, break downs and human fatigue (Velayudhan, 2002, p. 131).

Traditional (Non-Conventional) Media

(*a*) **Wall Paintings:** Wall paintings are an effective way to communicate to rural consumers. Wall paintings present an cost effective options but are limited to creating only a visual impact as literacy is low. Nirma makes extensive use of wall paintings. (Velayudhan, 2002, p. 124). Retailers normally welcome paintings on their shops, walls, name boards, etc., since it makes the shop look cleaner and better. Some FMCG's like Coke and Pepsi, agricultural implements companies like HMT and Tata traders, use wall paintings to capture the attention of their audience (Ramkishen, Y., 2002, p. 114).

(*b*) **Direct Mail:** A mailing campaign can be very useful with opinion leaders, influencing agency and agents of change. The copy should be brief out well illustrated. The mailing list is relevant not only for agricultural inputs but also consumer durable and even certain non-durables (Velayudhan, 2002, p. 124).

(*c*) **Folk Theatre:** These are mainly short and rhythmic in form. The simple times help in informing and educating the people in an informal and interesting manner. It has been used as an effective medium for social protests against injustice, exploitation and oppression. Burrakatha, Veethi Natakah of Andhra, Bharai of Gujarat, Tamasha, Soudha, Dashavatar of Maharashtra are different types of folk theatre prevalent in India. Brook Bond Lipton India Ltd. (BBLIL) used magicians quite effectively for launch of 'Kadak' Chhap Tea in Etawah district of U.P. Government of India uses folk theatre to sell a wide variety of seeds and fertilizers (Ramkishen, Y., 2002, p. 113-114), as also for its Family Welfare Campaigns, and for anti-AIDS campaigns.

(*d*) **Banners placed on elephant parading through main bazaars:** Messages on camels, horses, and elephants during exhibitions and fairs have proved to be an effective medium. It is not only animals or animated objects that interest, the rural audience. Instead of staid bill boards or giant cut-outs, putting the message on objects of interest during events can be effective in attracting attention and creating brand awareness and brand recall. Companies are using this media extensively (Velayudhan, 2002, p. 124-125).

(*e*) **Puppetry:** Puppetry creates interest and grasp the attention of the rural audience. It is the indigenous theatre of India. It has been the most popular form of entertainment available to the rural people. It is an inexpensive activity. The manipulator uses the puppets as a medium to express and communicate ideas, values and social messages. Life Insurance Corporation of India (LIC) uses puppets to educate rural masses about it's insurance policies. The Government of India makes wide uses of puppets in its campaign to promote various projects like family planning, etc. (Ramkishen Y., 2002, p. 113). Fertiliser manufacturer BASF uses puppetry to convey their messages. Even simple tales gain from the colour and enchantment of the medium. The medium of the message helps in attracting attention (Velayudhan, 2002, p. 124).

(*f*) **Processions, tableaus, floats, etc.:** Excitement-oriented activities such as processions, tableaus, floats, etc., are common place in rural markets, e.g., HLL dressing up a propagandist as 'Superman' to demonstrate the superwashing power of Rin. In rural towns, such promotional activities are vital to create and build awareness about the product and communicate it's message (Velayudhan, 2002, p. 126).

(*g*) **Contests to promote the products:** Contests involving products and the consumers themselves are used to create awareness and brand recall. These contests result in brand recall because of the high level of involvement they generate among the participants (Velayudhan, 2002, p. 126). Philips organises shouting matches. The person who can shout Philips name the loudest wins. The contest makes a clear association between the company's audio equipment and loudness (Mukherjee, 1993, quoted by Velayudhan, 2002, p. 126). Contests involving consumers can be interactive and help create awareness, knowledge and trial too, as in case of contests involving the consumers for promotion of GTC brand cigarettes (Mukherjee, 1993, quoted by Velayudhan, 2002, p. 127).

(*h*) **Audio-Visual Vans:** We have discussed video-vans above. Audio-visual vans have emerged as important methods to reach the rural audience and are to be treated separately. This vehicle goes to selected villages on market day. Each van is festooned with as banner are painted in gray colours. It uses display boards whenever it stops to address the populace

and it's repertoire includes audio- video, film playback equipment, microphones and other demonstration facilities. It also passes out product literature and can conduct market surveys if required. Van is generally mobile throughout the day. In the evening, film shows or film-based programmes are held which inevitably draw huge crowds. This variety entertainment is interspersed by commercials and advertisement films of the client's product (Velayudhan, 2002, p. 131).

(*i*) **Stalls, hoardings and audio-visual publicity at local fairs:** Some of the points of contact with the audience can be during fairs and festivals, 'haats', 'mandis', folk performance, local fairs, and at other events at banks, post offices, schools, and village wells, etc. Audio-visual vans can be placed on these events for audio-video publicity, hoardings can be put-up. Stalls at local fairs can also be put-up. Brooke Bond adopts tea-stalls that tempt villagers to sample it's products by offering free cups of tea. Geoffrey Manners participate in village 'Melas', where it's salesmen who are dressed in white aprons to resemble doctors, extol the virtues of Anacin (Das Gupta and Menon, 1990 quoted by Velayudhan, 2002, p. 128) . In addition to stalls, other points of contact are utilized. Sunstar lubricants prints leaflets in regional languages, attends panchayat meetings and participates in agricultural meets to promote it's products (Ghosh and Krishnaswamy, October 1997, quoted by Velayudhan, 2002, p. 128).

(*j*) **Point-of-purchase channels:** This comprises a series of audio-visual sites located in shops in rural feeder towns. A typical installation consists of a colour television, a video cassette recorder (VCR) and a generator. Entertainment programmes are shown with advertisements (Velayudhan, 2002, p. 132). Lonester Communications launched a fixed audio-visual network operating in markets that serviced rural buyers. In the second year, the network had 25 centres in UP and 80 in Gujarat. Brands like Tulsi Mix, Pan Parag, Baba Zarda and Philips Bulbs were the initial users of POP channels. While the POP channel serves as a permanent network with audio-visual sites predetermined by Lonestar, clients also had the option of choosing their own locations depending on a brand's equipments. On such network is the 'Dhaba Network'. The idea of the Dhaba network emanated at a time when Modi Rubber was keen to promote it's RL-8 truck tyres. As the target audience was primarily the truck driver, the software was specifically programmed for them (Rajan, 1992, quoted by Velayudhan, 2002, p. 133).

MEDIA EFFECTIVENESS

For a marketer, the reach of the media and its effectiveness are important. The factors that affect media effectiveness and the audience response to different media are examined (See Figure).

A number of factors affect media effectiveness. These include :

- Audience profile;
- Media preferences;
- Channel and programmes viewed; and
- Audience behaviour (Velayudhan, 2002, p. 115)

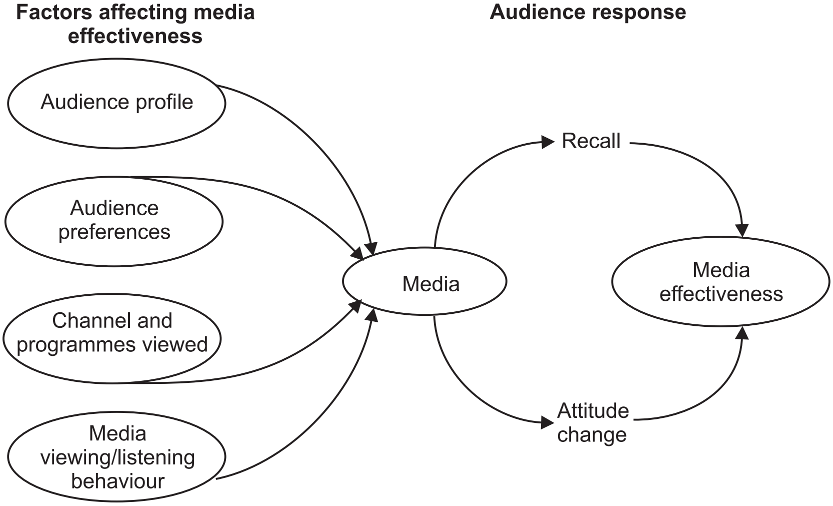

Fig. 7.7: Media Effectiveness
[*Source:* **Velayudhan,** 2002, p. 116.]

AUDIENCE PROFILE

Rural audiences are amply exposed to mass media, and can be easily reached (Velayudhan, 2002, p. 116), and young male members are majority viewers of television (Das and Sen, 1991).

MEDIA PREFERENCE

Traditional media can be more effective with rural audience. In a study on health communication to rural people, reported by Chandra (1992) the channels of media were ranked on effectiveness. Interpersonal communication (IPC) was ranked most effective, followed by TV/VCR, print media, and then radio.

CHANNEL AND PROGRAMMES VIEWED

DD-I is the channel with highest viewership in both rural and urban India (Velayudhan, 2002, p. 117). Television commercials have enormous impact in rural India (Das and Sen, 1991).

AUDIENCE BEHAVIOUR

Television in rural areas means Doordarshan (DD-1), and it is difficult to shot TV commercials during prime time as agricultural activity, not dominated by clock, rural viewership is very unpredictable. Radio is a popular media in rural markets, especially AIR's primary channel programmes and Vividh Bharati. Household subscription to newspapers is low. But newspaper is read at common gathering/meeting place, tea-shop.

RURAL COMMUNICATION—CHALLENGES AND STRATEGIES

Rural communicators are faced with several challenges in India. Although there are latent opportunities within these challenges, the problems and challenges are plenty. This portion of the text attempts to present a survey of these challenges, and strategies to be adopted by a communicator.

The Challenges

Spread and Diversity: On of the main problems is the large number of consumers scattered across the country, many of whom are not tuned to the mass media. Another problem is the non-homogeneity of the market. Rural markets vary by geography, demography, etc. This is the challenge of 'heterogeneity and spread' that Velayudhan (2002) identified, as having implications for decisions on media and message. The challenges are limited reach of mass-media, and variations in languages and culture suggesting a need for region-specific messages.

Besides the above main challenges, Dhingra and Sharma (1997) have identified the following challenges:

Low Literacy Levels: Indicate that it would be unrealistic to use print media.

Poor Infrastructure Facilities: Such as lack of roads, telecom facilities, postal services, etc. This undermines the utility of press, and even TV viewership is affected by low voltage and uncertain supplies.

Unique Media Habits: Almost all the readership is secondary, household press subscription is almost non-existent; magazines are largely not read.

Low-Spending Capacity: Rural consumers have less disposable incomes so as to buy products.

Lack of Research Data: There is a complete lack of syndicated research services on media access, reach and media habits, in rural India. Although efforts of NCAER (conducting regular studies and publishing the findings) are few and far between. Hence decisions on message and media-mix are largely dependant on feedback from sales networks.

Selective Attention to/Retention: Of messages by rural target population adding to noise levels in communication. This problem is further compounded by low product-availability.

Linguistic and Socio-cultural differences: Languages, cultural and social norms differ from place-to-place creating problems for marketer in designing the message. This is the same as the challenge of heterogeneity identified by Velayudhan (2002, pp. 87-88).

Strong Kinship Ties: In rural areas, Male members of families act as information drivers, influencer and buyers of products, and the women have to depend upon them. Hence, it becomes difficult for communicators to reach the females directly.

Different Leisure Time Activities: For people in rural areas, as agricultural activities have no fixed timings, and often requiring work during nights and in odd hours. The difficulty, therefore, is to find the time slot for the ads, as the leisure times are situation-based.

However, review of latest situation reveals that, the growth in rural incomes, augmented availability of consumer products, improved media coverage pose new challenges to the marketing and advertising professional. They have to evaluate the effectiveness and efficacy of advertising mediums like the press, television, video, cinema, and radio in these villages. They have also to determine an optimum mix of various media that they will use for different products, to appeal to the rural consumer (Aneja, 1992).

Strategies

Managing Spread and Diversity

Managing the challenge of spread and diversity requires:

- **Languages:** The message has to be understood.
- Identifying geographical locations with a larger concentration of rural consumers;
- Locating potential consumers with a higher propensity to spend; and
- Localizing decisions on media and message using region-specific budgets (Velayudhan, 2002, p. 88).

It would not be possible for a communicator to reach every village. But, if a quarter or one-third of the villages have been reached, about 65 percentage of rural population of a state would have been covered (Bose, 1992). However, it would be much more realistic to target much less population, with a propensity, to spend. Sales promotion in 'Haats' and 'Melas' present excellent opportunities for much less promotion budgets.

Dhingra and Sharma (1997) surveyed strategies that can help the communicator meet the challenges. These are discussed as under :

Use of Audio-Video Medium

Literacy rates being less in rural areas, and TV and Radio having much more reach in rural masses compared to print media, communication through electronic media (mainly TV & Radio) must be given priority over press. These channels have greater growth rates.

Appropriate Communication Mix

Needs to be used giving priority to local promotional tools over advertising, as advertising in rural areas is marked by selective attention and retention. Usually a 70: 30 plan is recommended. 70 per cent budget should go on promotion (effective utilizing local promotion activities like wall paintings, stalls, hoardings, etc.) and 30 per cent on advertising.

Tailor-made Communication

Ad messages should be modified to suit to regional requirements, in order to counter linguistic, social and cultural differences.

Use of Publicity Vans/Animals

Especially in remote/tribal and hilly areas. These help spreading advertising messages. Vans can also carry the products to induce brand trial. Animals like elephants can carry banners on them and be paraded in villages.

Use of Stalls and Haats

Especially in village festivals to spread messages and can also include brand trials.

Appropriate Scheduling

Of ads, Generally, during the post-harvest periods, farmers and cash-rich and in the right frame of mind to consider buying new products. Ads can be slotted around this time.

Use of Cinema Halls and Video Parlours

Especially in those states/regions having maximum exposure to cinema. Cinema halls and video parlours present an exciting audio-visual media option for the rural market.

Selective Communication Strategy

Is needed, as only a few villages with greater sales potential concern the marketing man. Most of the advertising and promotional tools should be used only in the villages having larger market size and potential.

Product Type	*Stage in the Product Life cycle*		
	Introduction	*Maturity*	
		Brand Launch	*Maintenance*
Non-durable product	Use of demonstrations and trials to create knowledge and adoption	The focus is on creating an image and getting the retailer to promote	Reminder, advertisement and availability
Durables	Demonstration with focus on opinion, leaders to educate, create favourable attitude and conviction	Image building, demonstration advantages and use of opinion leaders	Retaining image and customer satisfaction

Fig. 7.8: Taxonomy for Communication Strategies

[*Source:* **Velayudhan**, S.K., 2002.]

Use of Logos and Symbols

To enable illiterate persons remember brands only by picture symbols, as opposed to brand names.

Focus on Opinion Leaders and Reference Groups

While chalking out, communication strategy. These can be village 'Sarpanch', 'Gram Sevak', Village School Master, etc. They influence the buying decisions of rural consumer.

PARTICIPATORY RURAL COMMUNICATION

Information must be made available to people. Use of communication and information to serve the requirements of rural development programmes and projects has been greatly

realised. Information and Communication Technologies (ICTs) are transforming all human activities dependent on information, including rural development. However application of ICT strategies in rural areas must consider the differences in languages, culture, socio-economic conditions and infrastructure. The cultural values and importance of folk and traditional media in rural development must not be dis-regarded.

This places focus on the participatory approach to rural communication, so as to create dialogues with groups in rural communities to identify their problems and needs, to know their practices. At the governmental level what is happening now is that there is a one way flow of information, sending out messages to the target audience by utilizing all existing media and conventional channels. Campaigns are undertaken with judicious media-mix, conventional channels like print, electronic and traditional media re-used. Extension workers and field workers make use of inter-personal communication and group discussions, sometimes supported by audio-visual aids (Bhagyalakshmi, 2002).

Care and cautions approach to selection of media is a must. Guidelines, training programmes, workshops, etc. are for those implementing rural development programmes. Newspapers, radio and television programmes reach people in general,, not specifically the target groups, when it comes to below poverty line group, perhaps the mass media may not reach them at all. Hoardings, wall paintings and posters are likely to reach target groups. Inter-personal communication (especially in below poverty line families) through extension workers must be stressed. Information must reach target audience in their own language (Bhagyalakshmi, 2002).

In mid 90s the Ministry of Rural Development launched multi-media campaigns in 164 districts in 4 phases. The Indian Institute of Mass Communication conducted the evaluation of the campaign. Sample was drawn from below poverty line persons as they are the main target group of most rural development programmes. It was found that "the most prevalent source of information was radio, followed by friends and relatives, TV, newspapers and opinion leaders". About the awareness sources the report, said that, "combined channels of inter-personal communication were more often the sources of awareness about the schemes and programmes than the combined mass media channels" (Bhagyalakshmi, 2002).

ICT IN RURAL INDIA

ICT has had a great impact in the rural India. The cyber revolution that already has urban India in it's grip, is slowly going into villages and irrevocably changing lives. The fishermen of Veerapattinam near Pondicherry depended earlier on nature each time they set out in their boats, now known for sure what to expect of the weather, the waves and that it will throw up by way of a catch. Courtesy the Chennai based MS Swaminathan Research Foundation (MSSRF), and its Information Village Research Project (IVRP). They get relevant information from PC, and often by voice mail broadcast over public address system. From providing lists of veterinarians and doctors, to bus timings, locations of various hospitals and news of goods for barter on sales, the ICT through IVRP has irrevocably changed villagers' lifestyles. Tribals in Tejgadh, near Vadodhara in Gujarat, eagerly await the day that can tap the Internet for information (The Week, 2000).

The Madhya Pradesh Government began a project called Gyandoot to fund rural networked cyber kiosks through Panchayats in Dhar District to offer villagers a range of services through an intranet based at district Hqs. These Kiosks are called 'Soochanalaya' (Information Centre). Outlook (2001), gave another evidence of how a PC Installed in Pargaon village (Warana, in Maharashtra's sugarcane belt), provides information to villagers about harvesting time for crop, results of crop sampling, and forecasts about expected yields, etc. and how it changed lives of villagers. This is Digital Empowerment of rural people. They even e-mail their complaints to officials and get quick response. Emulating the Gyandoot example, six similar cyber kiosks supplying information, opened in MP's Ratlam district. According to Outlook (2001). In apple growing Hamirpur, Himachal Pradesh, the government was to start 40 rural cyberkiosks to benefit farmers. Ten such kiosks were planned in Sonepat and Sirsa in Haryana. In Kerala, the work was on to network the state's 1215 local bodies to the state planning board and other key governmental agencies. Rural Infotech revolution has arrived (Outlook, 2001).

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) IN VILLAGE LEVEL DEVELOPMENT

Warana Project

The concept of a fully automated village is a dream, brought to reality at Warana, in Maharashtra. The Warana Project has been jointly carried out by the National Informatics Centre (NIC) on behalf of Government of India, the Government of Maharashtra, and the Warana Vibhag Shikhan Mandal (WVSM) to create an appropriate IT infrastructure for 70 villages around Warana in the Kolhapur and Sangli Districts of Maharashtra. The project was implemented in December 1998. Setting up of a cooperative sugar factory at Warana, next to village of Kodoli in 1959, was the beginning of transformation of Warana from a barren dacoit-ridden land to the current prosperous and fertile complex. Cooperative movement through people's participation resulted into formation of over 25 successful cooperative societies in the field of sugar, milk, poultry, construction, etc. These societies are distributed in a radius of 4 kms. This complex has it's own EPABX facility for voice communication between various centres and societies, in addition to P&T lines provided by the Dept. of Telecommunication (Dash, 2002).

The project aims to utilize IT to increase the efficiency/productivity of the existing cooperative enterprise by setting up a state-of-art computer communication network and latest database technology, provide agricultural, medical, educational information to villagers at facilitation booths in their own villages, provide communication facilities at these booths linking them to the Warana cooperative complex, bring the world knowledge at the doorstep of villagers through internet via NICNET create a database of villagers on various socio-economic aspects, provide tele-education to both primary and higher educational institutes by developing IT centres, establish a GIS (Geographical Information System) of the surrounding 70 villages leading to greater transparency in administration especially in matters related to land (Dash, 2002).

The Warana Project is expected to be the forerunner to many such rural development projects envisaged by the special IT Task Force constituted by the Prime Minister's office.

Case 1: Gyandoot

Gyandoot (messenger of information) is a community network which was conceived, installed and made operational by Rajesh Rajora, an I.A.S. officer in Dhar district with the active support of the government of Madhya Pradesh. The pilot project was launched on November 29, 1999 and officially commissioned on January 1, 2000. It is recognized as a break-through in e-governance. Village research project was selected as the joint winner in the public services and democracy category of the Stockholm Challenge Award from among 600 entries based on the criteria of innovation, user need, sustainability and transferability. The cost of the whole project, around Rs. 25 lakh, has been borne by Panchayats without any help from the government. The average cost incurred by Panchayats in establishing each Soochanalaya (Information Centre) was Rs. 75,000. Thus, Gyandoot is a community owned, self-sustaining low cost internet project. All 31 Soochanalayas in Dhar district are equipped with pretium multi-media colour computers, dot matrix printers, UP systems, and telephones; 29 of the 31 Soochanalayas have optical fibre connectivity.

The Gyandoot Samiti, a society symporing the project, has developed indigenous software to run the internet and various services. The software, in Hindi, is simple and menu-driven and only requires minimum data entry at the client's end. The Soochanalayas are run by local entrepreneurs called Soochaks. These Soochaks, selected by village committees, run Soochanalayas on commercial lines. Gyandoot is a need felt initiative involving villages and community. The selection of services is based on an understanding of information centre services such as current and prevailing mandi (agricultural produce auction centre) rates, non-availability of which often deprived farmers of the best prices for their agricultural produce. Thus the services offered by Gyandoot network are:

- Agricultural produce auction centre rates
- Online registration of applications
- Online public grievances redressal
- Rural e-mail facility
- Village auction site
- Online matrimonial site
- Information on government programmes

The Soochnayas also provide online application forms that are required by local administration and department of the state government. Updated and latest information regarding the public distribution system, lists of below poverty line families, beneficiaries of social and rural development programmes, information regarding government grants etc. making the government functionary transparent and sensitive. Webbased newspaper centres to the local news audience, giving micro news about events and happenings around the villages. The site provides research materials to students of classes X to XII, including question banks developed by a team of experts to help with preparation, for exams. The site also contains employment news for semi-skilled employees.

(*contd.*)

Questions

1. Review the e-governance initiative and suggest strategies for marketing intelligence services in rural areas.
2. Explain key learning of Gyandoot Project.
3. Discuss various issues related to case and suggest major areas of project intervention through information technology for successful marketing of goods and services in rural areas.

[*Source:* **R.K. Mitra** and **M.P. Gupta, Indian Management,** Vol. 42 (8), August, 2003.]

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8

Marketing Research and MIS

Marketing research is the systematic and objective fact-finding (gathering, recording and analysis of data) about problems in marketing of goods and services. It is thus a process of gathering information to be used in understanding the customer, and aid decisions on each of the elements of the marketing mix-product, distribution, promotion and pricing. In brief, it helps at least in three ways. Marketing research (1) helps pick and choose customers and make focused offers-research on consumers; (2) helps know which products move in the market and why-research on products; and (3) helps new entrants plan their channels by studying existing ones-research on distribution.

According to Ramaswamy and Namakumari (2002, p. 606), (1) marketing research in research on the manifold problems of marketing; (2) it's purpose is to aid decision-making in marketing; (3) systematic gathering and analysis of information is what it does in achieving it's mission. With the increasing complexity of business activity marketing research has been growing in complexity and it has emerged as a highly specialized function of marketing management. Today, carrying out research relating to customers, products and markets necessitates specialized skills and sophisticated techniques.

In applying marketing research for solving marketing problems, the researcher has to go through several steps or stages. Each stage has it's own decisive role in the total process. Right from defining the problems, down to the preparation of the research report, the researcher has to proceed step by step. Steps involved in the marketing research process :

- Defining the marketing problem and identifying the MR problem involved;
- Specifying the information requirement;
- Developing the research design and research procedure;
- Gathering the data/information;
- Analysing the information and interpreting it in terms of the problem being tackled;
- Summarising the findings; and
- Preparing the research report (Ramaswamy and Namakumari, 2002, p. 608).

An assessment of Marketing Research in India reveals that the relevance of marketing research has grown enormously in the post-liberalization era. The companies have strengthened their in-house marketing research capabilities. More and more of them are using the services of external marketing research agencies. "Even HLL (Hindustan Lever Ltd.), which has strong in-house MR facilities and had also been outsourcing MR extensively, has expanded its MR activities now. HLL's in-house facilities now include a 70 strong staff, 25 of them being managers. It has an annual budget of over Rs. 30 crore for MR". (Ramaswamy and Namakumari, 2002, p. 625). A survey of Market Research agencies reveals that: (1) The marketing research industry in India is growing at 30 per cent in the post-liberalization years, as against the world average of 9 per cent; (2) The size of India's MR industry is to the order of Rs. 200 crores;

(3) More and more multi-national MR companies (MNC-MRs) are entering into India since the liberalisation; (4) The MR industry in India is generally rated as superior on skills and lower on prices compared to its counterparts in South and South-East Asia; and (5) There are following five top market research agencies in India (Based on Ramaswamy and Namakumari, 2002, p. 625-9); the top ten users of market research (Business India, March 9-22, 1998) are also listed thereafter.

Agencies	*Business Size (Rs. Crore)*
ORG-MARG	57.0
Indian Market Research Bureau (IMRB)	48.0
Taylor Nelson Sofres MODE	14.0
AC Nielson (Erstwhile Nielsen - MRAS)	12.0
MBL-RCG*	8.0

Fig. 8.1: India's Top 5 MR Agencies

Recently MBL - RCG has been bought by National Family Opinion (NFO)

[*Source:* **Ramaswamy** & **Namakumari,** 2002, p. 626.]

Late 1970s	*Late 1990*
ITC/VST	ITC/VST
HMM	Coke/Pepsi
Colgate Palmolive	P&G
RCI	Colgate-Palmolive
HMT	Ford
Lipton	Maruti
ICI	Mahindra
Singer	Warner-Lambert
DCM	Smith Kline Beecham

Fig. 8.2: Top 10 Users of Market Research

[*Source:* **Business India,** March 9-22, 1998, p. 123.]

RESEARCH TO RURAL MARKETS

The research process is critical to rural marketing. There are two reasons for this:

(*i*) The marketer has a limited understanding of the rural consumer; and

(*ii*) The marketer who is urban oriented may find it useful to unlearn consumer response to decision variables in the urban market. This requires the use of research methodology that is sensitive to social processes in rural markets (Velayudhan, 2002, p. 57-58).

The major problems of MR are the lack of secondary data and as a consequence not having an adequate sampling framework:

(*a*) Neither the census nor the National Sample Survey gives monthly, income-wise breakup of population or households;

(*b*) Lack of separate data on industrial products;
(*c*) Heterogeneity of different states. In conducting all India studies, it is often necessary to translate the questionnaire in five or six main languages (Taori, 1995, p. 63-64).

MAJOR TECHNIQUES OF MARKET RESEARCH

There are several market research techniques available. Any standard textbook would provide ample information about them. However, some of them can be of immense use for researching rural markets. Some of them are discussed below :

Panel Research: Interviewing or gathering data from a panel of respondent agreeing to be interviewed at appropriate intervals. These panel members keep a record of purchases, advertisement exposures, shopping patterns, etc. that the researchers may be interested in. However, this requires the panel members to be literate, this technique may not be appropriate in rural situations.

Marketing Survey: Most widely used technique, to obtain first hand field data, when the sought information is not available with company's internal records as well as external published sources. Market surveys are of two types - the census survey and the sample survey. Following are the steps involved in a Market Survey (Ramaswamy and Namakumari, 2002, p. 621):

Planning the Survey

- Problem definition
- Selection of the survey method
- Sampling
- Questionnaire development
- Pilot survey

Field Work

- Selection and training of investigators
- Interviewing/collection of data
- Supervision/overseeing the fieldwork

Processing

- Processing of data (EDP/manual)
- Tabulating

Analysis and Interpretation

- Editing
- Interpreting data
- Statistical analysis and interpretation

Report Making

- Summarizing findings and recommendations
- Report writing

Internet

Primary research on the Internet usually assumes the form of online surveys and interactive focus groups. Facilities on the net, such as E-mail, hyperlinks, moderated chat sessions etc. can be used to make the research job easier and more productive (Ramaswamy and Namakumari, 2002, p. 621). With the cost of technology coming down day by day, several companies are attempting to create virtual bazaars or agri-portals akin to weekly 'mandis'. The most notable virtual 'mandis' are the e-chaupal by ITC, India Agriline by EID Parry and Dairy Portal by Amul (Kashyap, 2003, p. 10). The e-chaupal project, launched in June 2000, has today become the largest Internet-based Corporate Intervention in rural India, e-choupal's network today reaches out to more than a million farmers in over 11,000 villages through 2,100 e-choupal kiosks that ITC has set up across four states - Madhya Pradesh, Karnataka, Andhra Pradesh and Uttar Pradesh (Sivakumar, 2003, p. 35). ITC has planned to extend the e-choupal initiative to 11 more states across India over the next seven years (Ibid, p. 38).

With growing computer literacy and the increasing access that people have to the internet, the role of market researchers has to change from data-gatherers to data-interpreters. Shedding the preoccupation with data supply and offering greater consumer insights is the way for research to become a true strategic partner to businesses (Chakraborty, 1998, p. 123). Internet is indeed an effective market research technique.

PARTICIPATORY RURAL APPRAISAL (PRA) APPROACH

Examining literature on development studies to understand behaviour among the rural population provides research methodology options for rural markets. A relevant approach used in such a context is a method called the Participatory Rural Appraisal (PRA). .... This method is extensively used in development studies. It is a method in which the involvement of the respondents or rural consumers is very high (Velayudhan, 2002, p. 62, p. 65). The method involves a number of steps :

- To identify a location which facilitates discussion and increases the likelihood of getting respondents;
- Walking through the village (called a 'transect' walk), help to familiarize the researcher with the surroundings. It provides an opportunity for observation on some of the issues and elicits views in an informal manner;
- Village mapping (location and resources) on a flip chart, on the ground, black board or even the use of 'rangoli' powder helps to start the discussions and gives a better understanding of the village and it's key resources.

Using a number of tools to capture additional data. These include:

- **Time line** requires getting the villagers to prepare a chronology of major events and activities. Using their understanding of the past captures events significant to them;
- **Seasonality diagram** is used to break up information by seasons and therefore obtain greater clarity from the information available;
- **Matrix Ranking** is used to capture perceptions, attitudes and preferences. The relative measures are obtained through objects like stones or the use of symbols. The larger the number of objects or symbols, the greater is the intensity of the phenomenon;

- **Venn diagrams (also called 'chapatis')** are used to identify various entities (individuals and organisations) relevant to the issue and to indicate their relative importance based on the size of the circles.

The Need for PRA

The advantage of this method is derived from the philosophy that guides it. Understanding of the respondents is not to be led by the researcher's frame of reference but of that of the respondents, i.e., not address them on the basis of 'our' perception and 'their' needs but to by and understanding 'their' perception of 'their' needs. The focus of PRA is to involve the respondents is not only sharing information on data but also is creating the method to record the data. The consumer behaviour or needs are therefore captured using the respondents' frame of reference. This is indicated in the study performed for a milk processing and marketing unit (MPMU) (Velayudhan, 2002, p. 66).

MPMU is a unit for procuring, processing and marketing milk and milk products under the cooperative sector in one of the southern states in India. It provides inputs to cattle owners like feeds, veterinary support and medicines, procures milk and markets milk and milk products. It faced price competition from smaller dairies. The lower prices to consumers offered by the small dairies could be sustained because of their low overheads. The small dairies also provides a higher price to the suppliers. As a result of the competition on price, MPMU was losing its market share. MPMU's response was to increase the procurement price to maintain suppliers and in order to retain the already low margins it had to increase its consumer price. The ability of smaller dairies to compete increased with higher margins. It was assumed that price was the main consideration for the supplier. The information obtained using a questionnaire survey, supported the contention that the selling price of milk was critical to the cattle owner. PRA however indicated that the cattle owner was more concerned with the returns than just the selling price of milk. The cattle owner was more concerned with inputs as he faced difficulties in procuring them. He was keen on getting the right feed at reasonable prices, veterinary help and medicines when needed and at his place than just the price received for the milk. MPMU provided these services, which other smaller dairies could not. As the only variable that was being emphasized was price, the farmer sought a higher price for the milk he supplied to MPMU. What was required was improving the quality and effectiveness of service to the farmers, as originally envisaged. All that was required was to go back to its original ideals, which provided the basis for a viable system (Velayudhan, 2002, p. 66-67).

MULTI-DIMENSIONAL SCALING (MDS)

MDS is used to graphically portray consumer evaluation of products/brands. It has been developed with inputs from mathematics and psychology... It has become a full-fledged and specialised MR technique. The technique takes consumer judgements of perceptions and preferences, and builds geometric representations or maps in which brands that are judged to be similar get plotted near each other in the geometric space. The map helps the researcher to understand how a given brand is perceived by the consumer in relation to other brands and consequently helps him to understand the 'position' it currently enjoys (Ramaswamy and Namakumari, 2002, p. 622).

Conjoint Analysis

Conjoint analysis is used to measure consumer preferences for alternate product ideas and product attribute combinations. It measures the joint effect of two or more independent variables or strategy options like price, package, colour, brand name, etc., on a dependent variable like the preference or purchase intention. In other words, a consumer ranks the different combinations of products attributes from the most preferred to the least preferred combination. The findings of such analysis will help the researcher understand the most preferred combination, the relative importance of each attribute and also the implications of changing a particular attribute. The use of conjoint analysis is not confined to deciding the best product option. It is widely used in almost all marketing situations, ranging from product design to positioning, market segmentation, promotion and distribution (Ramaswamy and Namakumari, 2002, p. 622).

Sampling Problems

Study of the entire universe under focus is almost impossible (when too large, geographically or in size) or atleast difficult due to resource or time (or any other) constraints. Hence sampling becomes inevitable. Sample is the true representative part of the population or universe. Sampling is used to collect primary data when the sources of data are far too many to be exhaustively handled. If properly done, sampling process representative data on the entire universe under study. However, this is difficult to happen.

In the case of sampling, generally stratified or quota sampling is used. A random method is used to identify villages that are representative. After the villages are selected marketer has two options:

1. to survey the entire village;
2. select respondents randomly after listing all the villagers (Velayudhan, 2002, p. 67).

In the case of sampling again, it is better to avoid bias like:

- **Road side bias**: as an interior village is difficult to access, visit a road side village;
- **Big farmer bias**: a big farmer is responsive and he influences others to respond;
- **Literacy bias**: the farmer is educated and therefore understand concepts better and it is therefore easier to get information from him;
- **Gender bias**: males are easier to access therefore it is easier to get information from them;
- **Seasonal bias**: as it is hot in summer, surveys are carried out in cooler months (Velayudhan, 2002, p. 68).

DATA COLLECTION

Data is the raw input to the market research function. Data can be collected from various sources. Based on availability, data has been classified into two parts - primary data and secondary data. Primary data is the first hand obtained from the field (for example as a consequence of survey). Secondary data is got from secondary sources, internal (generated and available within the company) or external (available from published sources). Precisely, secondary (both internal and external) data is the data collected by others, for their own purposes (other than solution of the problem on hand).

Primary Data

First-hand field data, called primary data, is obtained when secondary data (both internal and external) is inadequate. Procedure for obtaining primary data involves, (*a*) deciding the exact data'needed', (*b*) identifying most appropriate data "source', and (*c*) selecting the 'research approach' for acquiring the needed data. The most appropriate research design in rural situations consists of: (1) a reference frame for understanding the rural consumers; and (2) a suitable research approach: methods of experiments, survey and case studies..." (Velayudhan, 2002, p. 58).

The research approach is critical in rural markets. The options generally considered are the experimental, survey or case study approach :

- The experimental approach is relevant for understanding causation. This restricts its application in rural markets;
- The case study and survey approach, therefore, find greater application here:
  - case studies of individuals to understand their purchase behavior cost higher in terms of money; and
  - given the absence of information and the difficulty to get rural respondents to articulate their perception, attitudes and behaviour, an in-depth form of survey in the preferred option (Velayudhan, 2002, p. 58-59).

Instruments for Collecting Primary Data

The 'respondent' provides data, either by mere observation of his behaviour by researcher, or orally/in writing responding to the interview/questionnaire.

1. **Interview:** Can be, (*a*) personal interview, (*b*) telephone interview, or (*c*) mail interview (including e-mail and interviews by 'Chat' on Internet).
2. **Questionnaire:** Consists of most appropriate so designed to fetch the exact responses capable of building the 'needed' data. Thus the research data is built up on the framework of the questionnaire.

Technique of Measuring Data

Qualitative data is easy to measure. But, qualitative data (relating to perceptions, feelings, likes and dislikes, inclinations and preferences) is difficult to measure. Some scaling techniques for qualitative data is as follows: (1**) Ordinal Scale:** Seeking to 'rank' the items with reference to a particular attribute; (2) **Semantic Differential:** Probes the intensity and content of respondent's 'attitude', say towards a company's (or brand's) image, using a scale of adjectives, which are polar opposites, (ranging from one extreme to the other opposite extreme) , separated by seven equal intervals; (3) **The Likert Scale:** Seeks to record the respondent's choice on a five-point scale ranging from 'strong agreement' to 'strong disagreement', (4) **Multi-dimensional Scaling (MDS):** Often, a person's decision to buy a particular product is the outcome of not one, but a variety of stimuli-the product features, the company image, the advertising messages, etc. MDS scales and measures such multi-dimensional stimuli.

Secondary Data

As earlier said, secondary data is the data generated by others earlier, either (*a*) within the company-Internal data collected in form of sales reports/statistics, customer databases

(containing demographic, geographic and psychographic profiles of customers, details of products and services bought/availed, etc.), etc. or (*b*) outside the company - external data - available mostly in published sources. Newspapers, magazines, technical journals, trade publications, directories, government publications, committee reports, reference books, balance sheets of companies and syndicated and published research reports by various MR agencies are sources of external secondary data" (Ramaswamy and Namakumari, 2002, p. 611). However, scanning and retrieving the required information is a challenge. It is for this purpose that a well developed library, information/documentation is required to be operating on scientific lines. Printed and Computer readable "Indexing and Abstracting' databases help retrieving the most pertinent required information. A librarian/documentalist/information specialist knows these retrieval sources well. It is he/she who knows the voluminous amount of published literature and information sources well, and the tools and techniques (such as the 'Indexing and Abstracting' sources) well, and also the techniques of retrieving 'whatever' information with almost no or very little efforts.

GUIDE TO INDIAN PERIODICAL LITERATURE: (Indian Documentation Service, Gurgaon, Haryana) indexes about 500 Indian periodicals listing the references to articles conveniently under most relevant (subject) terms, for easy and quick retrieval of Indian literature and information. So long as non-Indian foreign literature is concerned, BUSINESS PERIODICAL INDEX, indexes several thousands business and management periodicals and journals, where references of articles are listed under suitable subject resource available ABI/INFORM is an abstracting resources available in computer readable (also available in CD-ROM) form, where most appropriate literature could be retrieved in a few seconds. For smaller business institutions, not able to afford library/information/documentation activities, access to a good business library will help.

Further, following informational resources could be of immense use to the companies in MR exercise :

CD-ROMs: MICA Rural Market Rating (priced at Rs. 35,000) ranks districts according to seven parameters like population, fertilizer consumption, etc. Shows census data in digital maps, where you can zero in on district-level details. Linguist (Rs. 75,000 approx.) from AP Lintas ranks districts on 42 variables. RK Swamy/BBDO has launched a CD-ROM as well.

NCAER: The respected research body with the largest research sample. Its Indian Market Demographics 1998 is a rural marketer's must have. Also, the 10-year White Book gives details on income classes, durable trends, etc. The agency has proposed an income-occupation correlation study.

Business Intelligence Unit: Chennai-based research unit which has launched a purchasing potential based ranking of 500 districts. Latest work correlates agricultural zones with purchasing power.

[*Source:* **Business World**, 11 October 199, p. 29.]

MARKETING INFORMATION SYSTEM (MIS)

We today live and work in society often termed as Information Society. Bell (1973) called it Post-industrial Society.... Characterized by a shift from goods producing to service industry,

and by the codification of theoretical knowledge, with knowledge and innovation serving as the strategic and transforming resources of society, just as capital and labour had been in earlier industrial society (Bell, 1973, p. 507). Knowledge became a vital resource, available in abundance. Toffler talked of an 'Information bomb' exploding in our midst and of a power shift in society, consequent upon the extent to which it had come to depend on knowledge (Toffler, 1980, p. 544). It is "... a society in which the quality of life, as well as prospects for social change and economic development, depend increasingly upon information and its exploitation. In such a society living standards, patterns of work and leisure, the education system and the marketplace are all influenced markedly by advances in information and knowledge". (Martin, 1988, p. 179). Information and knowledge today is power. Today an enterprise has to run on the principle of 'Information-based management' where they have to manage by facts or evidence. Operating by 'gut-feel' has no place in today' s business enterprise management. This was only to have an overview of the information-oriented and knowledge-driven environment within which an enterprise operates today. Obviously, knowledge management becomes the bedrock of business success as the significance of information goes up.

'Data' acquired needs to be transformed to be meaningful so as to become 'Information'. This forms the foundation of knowledge. It is this information, which when segregated, classified, processed and presented in an appropriate manner becomes 'knowledge'. Hence, 'data' needs to be processed so as to become 'information', which again needs to be processed so as to become 'knowledge'. For decision-making which is based on 'information', which again is based on how 'data' is used to derive the meanings so as to become information. This discussion implies a planned Information System operating within the organisation operating on scientific lines.

Environment of the business enterprise is highly dynamic today. It is critical for a company to know as to what are the changes occurring within the environment in which it operates, and as to how it readjusts itself. Today a business enterprise needs too much knowledge. It needs to know its own business operations. It needs to know it's value chain, it's customers, suppliers and competitors. It also must know the technology trends, and the management techniques. Besides, it also must know as to how to and how fast to acquire, store, organise, process, and to utilise all this knowledge. The company must know all this, it has to continue doing business. There is an ever-increasing and exponential growth of knowledge, existing knowledge and technology becomes obsolete within no time today. These and plenty other seasons force an enterprise today to manage knowledge systematically. The foregoing discussion has clearly shown that a 'Marketing Information System' is also critical for successful marketing operations of an enterprise.

A Marketing Information System is critical in order to (1) develop a data capture process and check for reliability, consistency and quality of data captured; (2) smoothen the process of acquiring, processing and transmitting data, at the same time retrieve and make presentation in desired 'decision ready' formats; (3) produce tailor-made information outputs; (4) optimise utilisation of information, by reusing it many a times for many a purposes; and (5) to integrate all available information frameworks within and outside the enterprise. Thus, this marketing information system can "serve as a total knowledge-management mechanism. Converts data into information and information into knowledge; supports capture of knowledge; also serves as a mechanism for managing it; makes the knowledge flow where it is required; and ensures that it is available in readily usable form" (Ramaswamy and Namakumari, 2002, p. 597).

Designing An MIS

Having realised that all business enterprises that operate on scientific lines must have a Marketing Information System (MIS). Designing an MIS involves a process of, (1) Information needs assessment, (2) acquisition of data/information, (3) storage and processing of data/information acquired, order to effect a quick and fast retrieval in desired formats, and (4) utilisation of data/information, including designing and developing ways of optimum utilisation. Out of these steps of the total process of designing MIS, information needs assessment needs to be done carefully. Information needs would vary at different levels of hierarchy, (i.e. the top level, middle and operational levels of executives will have differing information needs. Similarly, operationally the information needed for marketing planning, marketing operation and for marketing control, will differ. The design of an MIS should also ensure that it works as a decision-support system. Utilisation of information technology must be ensured considering IT's enormous storage, fast retrieval, and easy and wide accessibility through LAN (Local Area Networks) and WAN (Wide Area Networks).

RURAL MARKETING INFORMATION SYSTEM (RUMIS)

A RuMIS is necessary not only for corporate organisations engaged in marketing of agricultural goods and manufactured goods intended for sales in rural areas. RuMIS is required also by the agriculturists and farmers who have enormous decision-making to do. The farmer needs enormous information for decision making. He must know as to, (1) what is in 'demand' that can fetch him good money, (2) how to produce and prepare it, (3) when and where to sell the produce, (4) what are the market trends. Hence information is critical for a farmer. Besides, a small or medium sized group of farmers or producers of agricultural inputs and farm produce must also have ample information, in addition to above, as to (5) how to act according to the trends, (6) how to design an effective market plan, for present as also for future. It is assumed that farmers are largely illiterate or less educated. Hence they lack information. But, a large population out of the literate also lack information about their commodities, prices, and the market conditions. Their problem relates with either access to information or dissemination of information. Efficient marketing cannot operate in a situation of information vacuums.

Rural Marketing Information System is a procedure by which information is processed and presented to agriculturists and other interested parties for decision-making and action taking for marketing their commodities, and purchase and sale of agricultural implements. It involves price, transport and future potential is necessary if wise production plans are to be made. Not only farmers but also processors and other agencies of rural marketing are interested in the type of market information (Agarwal, 1997, pp. 179-180).

Problems In RuMIS

There are several problems faced in Rural Marketing Information System design, and these are due to obvious reasons peculiar to rural situations where it is very difficult to have any kind of control or regulation. Ultimately the market is governed by the largely unfair market forces in which the farmers happen to be the losers. However, some of the problems are:

1. Imperfect competition and monopoly in the market, due to which either the prices of commodities tend to be inaccurate or the price data is not made available at all. Further,

that complete coverage of all transactions is not possible. In case of regulated markets these problems do not crop up. However, unfair practice even in regulated markets will fetch wrong data pertaining to price, sale volume, products, etc.

2. Contractual selling under a pre-arranged agreements without the influence of any organised or open markets, will also not make accurate information available. How will information gathers know as to what these arrangements are, at what price, what commodity, and how much of it has been sold ? This is a big challenge.
3. Terms of payment, supply, etc., vary from dealer to dealer of the same commodity in the same locality, which effects the quoted prices. It is very difficult to know as to what are those arrangements.
4. Rapid and detailed flow of information is necessary in case of markets for fruits and vegetables, which is very difficult to happen.

These problems make the task of collection of information and its dissemination problematic.

Components of Rural Marketing Information System (RuMIS)

Rural Marketing Information System can be divided into three parts. These are:

(*a*) Market Research,
(*b*) Market and Sales Reports,
(*c*) Marketing Intelligence (Agarwal, 1997, p. 182).

MARKET RESEARCH

A study of the size of the market demand depends on customer and user preferences and the social and economic factors affecting the nature of the market. Market research is useful for:

(*i*) Estimating demand and market share potential;
(*ii*) Identification of customer segments;
(*iii*) Preparation of sales forecast; and
(*iv*) Measurement of sales force effectiveness (Ibid, 1997, p. 182).

Market and Sales Reports

Any future decision depends on past facts. Market extension also depends upon past market and sales reports. Reports must be classified timely under different headings. The value of a market report to interested parties like producers, manufacturers and others not only depends on the speed with which it is gathered, but is also dependent on its correct and intelligent interpretation. Market and sales and necessary:

(*i*) to measure sales performance against targets and budgets;
(*ii*) to study past trends of sales and customers behaviours; and
(*iii*) to adapt sales operation on a short term (Ibid, 1997, p. 182).

Marketing Intelligence

It is necessary for everyone concerned to know where and when a product should be sold, which transport is efficient and what the condition of the market is (Ibid, 1997, p. 182).

In India the rural marketing information is collected and disseminated by, (1) traders and business organisations: who send their agents in primary and terminal markets to establish contact, gather data which is often confidential and for their own use. Their reliance on other sources of information is very little; and (2) journals, newspapers, other print and non-print media also gathers and disseminates information.

In India, there is considerable scope for improvement in the supply of market news to the trade, manufacturers, and agricultural producers. Such information is generally not available except in the case of some important commodities like wheat, rice, groundnut, cotton, etc. To enable the farmer to bargain for the proper value of his produce, it is necessary that he should be posted with information regarding the prices in different markets. He has, at present, no reliable source through which he can get the much needed information. Certain statistics regarding production and prices are published by the government and the trade, but the information is published so late as to become largely of historical and academic interest, rather than of any practical use to those who seek it most. Further, the utility of the information regarding prices is, to a very great extent, lost as different markets quote prices for different units of weight, and without reference to quality (Agarwal, 1997, p. 185). However, with the wide usage of Internet, sharing of information, it's collection and dissemination has become much more easier. These days it is very common to see farmers and traders moving from market with mobile phones in hand operating with support infrastructure such as transportation, godowns, etc. The scenario has much changed. However, while designing a RuMIS, it would be necessary to ensure that the data it collects is relevant, reliable, complete, consistent, and timely. These parameters should also be checked while disseminating information out of such a RuMIS so designed.

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9

Marketing of Consumer Goods and Durables

The rural market has been growing steadily since the 1980s and is now bigger than the urban market for both FMCGs (53 per cent of share of the total market) and durables (59 per cent). The annual size of the rural market, in value terms, is currently estimated at around Rs. 50,000 crore for FMCGs, Rs. 5,000 crore for durables, Rs. 45,000 crore for agri-in-puts and implements and another Rs. 8,000 crore for automobiles (Kashyap, 2003, p. 6). In the mid-1980s, the Rajiv Gandhi-V.P. Singh combine had prepared the ground for the consumer markets boom. Capacity expansion and technological upgradation was permitted and some entry barriers relaxed. That set off and unprecedented stampede among manufacturers to acquire licenses in various product categories, providing Indian consumer brand choice for the first time. By 1987, there were more than 100 brands of TVs, 30 companies selling photocopiers and over 80 companies producing computer hardware (Karmali, 1998, p. 89).

Indeed.... many experienced marketers had turned their attention to the countryside where the Green Revolution had pushed up rural incomes. This emerging buying class radically altered the structure of the markets....The purchasing power of rural India was reflected in the growing rural share in sales of a host of products - from consumables like soaps, toothpastes and shampoos to durable like black and white TVs and cassette recorders.... For Indian marketers, the key to future growth lies in winning over these huge and difficult to reach markets (Karmali, 1998, p. 90).

Data shows that rural share in the total buys during the early 90s has been excellent. Out of total buys of toilet soaps, washing powders, and cigarettes, the rural share was more than half; even for nail polish and shampoo the rural share accounted for one-fourth of the total buys. The rural share of these products had significantly improved during 1993-94 when compared to the year 1985-86. See the data below:

By the year 2002 the consumer durable were being taken to the doorsteps of the rural folk. The durables rural retail outlets caught the focus of attention of the marketers. After all, these durables rural retail outlets effect about 4 per cent of the total sales of colour television sets, refrigerators, mixer-grinders, pressure cookers, electric irons, and fans (residential). It is noteworthy that there are atleast 1330 of these durables rural-retail outlets for refrigerators, more than 2200 of them for colour television sets and more than 4400 of these outlets for mixer-grinders. See data furnished below to make a holistic assessment of this situation of rural sale of consumer durables:

Table 9.1: Ownership of Durables in Rural India

(In Million Units)

	Group I	*Group II*	*Group III*	*Total*
1984-95				
Urban	140.10	61.44	35.99	237.53
Rural	224.17	43.54	11.24	278.95
2001-02*				
Urban	195.15	95.54	83.06	373.74
Rural	330.63	100.13	29.30	460.66
*2006-07**				
Urban	245.09	122.7	138.31	506.1
Rural	430.93	144.83	57.10	632.86
% Change Over Previous Period				
2001-02				
Urban	39.29	55.50	130.76	57.34
Rural	47.49	129.97	166.01	65.14
2006-07				
Urban	25.59	28.42	66.54	35.41
Rural	30.34	44.64	90.97	37.38

Note:

Group I : < Rs. 1000 in value: Items like Transistor, Pressure Cookers, Wrist Watches, Bicycles.

Group II : Rs. 1001 - Rs. 6000 in value: Items like B & W TVs, Sewing Machines, Mixers, Cassette Recorders.

Group III : Rs. 6001 + In Value: Items like Colour TVs, Refrigerators, Two-wheelers and Washing Machines.

* Projected
[*Source:* **Business World,** October 11, 1999.]

Table 9.2: Rural Share in Total Buys (%)

Products	*1985-86*	*1993-94*
Tooth Paste	29	38
Toilet Soaps	51	57
Washing Powders	43	53
Cigarettes	53	59
Electric Bulbs	32	38
Shampoos	n.a.	25
Nail polish	n.a.	24

[*Source:* **Indian Market Demographics,** NCAER, quoted by **Business India,** March 9-22, 1998, p. 127.]

Table 9.3: Rural Share in Market for Consumer Durables

Rural Share (%)	*1989-90*	*1992-93*	*1995-96*
Over 75	—	Bicycle, Radio/ Transistor	Bicycles, Radio/ Transistor, Mechanical Wrist watch
50–75	Motor Cycle, Table Fan, Sewing Machine, Mechanical Wrist Watch	Table Fan, Sewing Machine, Mechanical Wrist Watch, Quartz Wrist Watch	B & W Television Cassettes Recorder, Pressure Cooker, Table Fan, Sewing Machine, Quartz Wrist Watch
30–50	Moped, B & W Television Cassette Recorder Pressure Cooker, Electric Iron, Ceiling Fan, Quartz Wrist Watch	Moped, Motor Cycle, B & W Television, Colour Television, Cassette Recorder, Pressure Cooker, Electric Iron, Ceiling Fan	Moped, Motor Cycle, Electric Iron
20–30	Scooter Mixer/Grinder	Scooter Mixer/Grinder	Scooter, Colour TV, VCR/VCP, Refrigerator, Mixer Grinder
10–20	Colour Television Refrigerator	Refrigerator	Washing Machine
5–10	Washing Machine	VCR/VCP, Washing Machine	—
Less than 5	VCR/VCP	—	—

[*Source:* **Indian Market Demographic Report,** 1998, NCAER, Delhi.]

Table 9.4: Rural Share of Consumables

Products	*Urban Share (%)*	*Rural Share (%)*
Analgesic Tablets	54.3	45.7
Batteries	43.8	56.2
Blues	47.7	52.3
Coconut Oil	58.4	41.6
Iodised Salt	48.6	51.4
Safety Razor Blades	45.9	54.1
Tea	48.7	51.3
Toilet Soaps	58.1	41.9
Washing Cakes/Bars	45.6	54.6
Washing Powders Liquids	53.6	46.4

[*Source:* **Business World,** 7-21 April, 1999.]

Table 9.5: Rural Penetration of Durables

Products	*% Penetration*
Cassette Players/Tapes	14.5
Fans/Wall/Table	18.9
Fans/Ceiling	27.6
Radios	28.0
Bicycles	47.6
TVs (B/W)	20.5
TVs (Colour)	3.8
Refrigerators	4.1
Mopeds	1.6
Telephones	1.0
Truck/Tempos	0.5
Cars	0.4

[*Source:* **Business World,** 7-21 April, 1999.]

Table 9.6: Rural Markets for Some Durables

2002–03	*% of total sales accounted for by rural buyers*	*Purchase by rural buyers per annum per '000' population*	*No. of outlets in villages selling the product**	*% of total sales of the product effected by rural outlets*
Colour Television Sets	26	2.3	2,2444	4.4
Refrigerators	22	1.1	1,330	3.6
Mixer-grinders	27	1.3	4,411	4.8
Pressure Cookers	37	3.2	5,061	4.9
Electric Irons	39	3.4	6,894	4.5
Fans (residential)	53	8.6	7,208	4.7

This data pertains to year 2000.
[*Source:* **PRAXIS** - Business Line's Journal on Management, Vol. 4 (Issue: 2) July 2003, p. 54.]

Growing Power of the Rural Buying Class

By the 1970s though, myopic marketers were confronting a reality that propelled them to change their big city focus: Growing agricultural prosperity, the increased mobility of the farmer, as well as the annual visit home of more and more 'non-resident rural' workers have created an urban-thinking rural class with different attitudes towards earnings, savings and consumption (Business India, 27 October, 1980). (Quoted by Bhardwaj, 1998, p. 125).

Already in 1976, for example, more than half the razor blades made in the country and 44 per cent of toilet soaps in the 'popular' category were being bought by rural folk. Quoting these figures in 1980, Business India commented: "While the rural market for baby foods and shampoos may have yet to take off, manufacturers of vanishing creams and toothpaste are beginning to wake up to the importance of the rural market. And for companies marketing talcum powders, toilet soaps and razor blades, rural communities have already become bread and butter" (Bhardwaj, 1998, p. 125).

According to an NCAER study in 1993-94 tilted **Indian Market Demographics**, 70 per cent of all washing soaps and 57 per cent of all toilet soaps were sold in rural markets. In other products the rural share of total sales was lower but no less significant - 38 per cent for tooth pastes, 44 per cent for body talcum powders, 26 per cent for cold creams and 25 per cent for shampoos (Bhardwaj, 1998, p. 125).

Rural incomes have definitely been rising, leading to the emergence of a medium income group. The NCAER study says the share of rural households with incomes above Rs. 40,000 per year went up from 43 per cent in 1987-88 to 50.1 per cent in 1993-94. The trend in clear. The countryside will determine tomorrow's winners (Ibid, p. 127).

CLASSIFICATION OF PRODUCTS AND MARKETS

There are four different classifications of products available in the market :

(*i*) **Consumer, Intermediate and Industrial Products:** Consumer products are those products which are meant for direct use/consumption of the ultimate consumers such as toiletries, washing and cleaning materials, food and beverages, cosmetics, etc. Industrial products are those products which are used for manufacturing consumer products such as raw materials, chemicals, etc. Those products which do not need any processing but are used as it by the users are called Intermediate products such as agricultural inputs, machinery and equipments, etc.

(*ii*) **Durables, Non-durables and Services:** Durable goods are those tangible goods which normally survive many uses and non-durables goods are those goods which normally are consumed in one or a few uses. Services are the activities, benefits or satisfaction which are offered for sales for example, tourism, consultancy, banking, maintenance, etc.

(*iii*) **Convenience, Shopping and Speciality Goods:** This product classification is based upon consumer's effort and shopping habit, i.e. how much effort the consumer puts forth to select and obtain the goods. Convenience goods are those goods, which the consumer usually purchases frequently, immediately, and with the minimum of effort in comparison and buying these are also called low investment products. Shopping goods may require more shopping efforts covering anywhere from one to several stores to identify or find the appropriate item and here normally the customers make comparisons on such basis as suitability, quality, price, and style. Specialty goods are goods with unique attributes and/or brand identification for which the buyers are habitually willing to make a special purchasing effort, are also known as high involvement products.

(*iv*) **Red, Orange and Yellow Goods:** Such goods are classified on the basis of product characteristics and features. Red goods are goods with a high replacement rate and a low gross margin, adjustment, time of consumption and searching time and orange goods are goods with a medium score on all five characteristics. Yellow goods are goods with a low replacement rate and a high gross margin, adjustment, time of consumption and searching time (Dogra, 1990, pp. 17-18).

The rural market itself, say marketers, can be segmented. There is Rural-I, comprising areas like Punjab, Haryana, Maharashtra, Tamil Nadu and Kerala, where the infrastructure has improved and the social welfare index is stronger. These are areas where

consumers may even pay a premium for a branded product. "Price Upgradation is happening in these areas. For example, Vim bar is doing significantly well" says Lever's Sitaram. And then there is Rural-II, which encompasses states like Uttar Pradesh, Madhya Pradesh and Bihar, where purchases are function-driven (Bhardwaj, 1998, p. 127).

Undiscovered Rural Consumer Goods and Durables Markets

A ORG-MARG survey conducted in rural Indian (Business India, 7-12 April, 1999, pp. 66-70) made startling revelations, and many common marketing myths about rural India were undermined. Much of the rural India consumer goods and durables market really remains undiscovered, and offers enormous opportunities for companies wanting to venture into the countryside. Let us take a look at some of the findings of the survey.

Rural India Consumes More than Urban In Some Areas

More than half of many consumer goods are purchased by the rural folk. This is the situation when the companies selling in rural areas have put in minimal efforts so far. Obviously, implication is that little more marketing efforts can see maximum consumer goods being sold in rural areas.

Large Market Size

There is an interesting way of putting rural India into perspective. If India's population, as per the 1998 estimates of the United Nation's Population Division, is 719,969,459. Divide that by the estimated total world population of 5.9 billion and rural India becomes 12.2% of world population. Forget all of us sitting in the cities (4.4% more) - 12.2% of the "World" lives in rural India (Business World, 7-21, April 1999, pp. 68). Rural India is 73% of it's total population, where as the rest of the urban India is only about 27% of it's total population. This makes rural India the largest market of consumer goods and durables, by any standards.

Durables Penetration

The durables penetration in rural areas presents a good picture. The corporate organisations should feel encouraged.

Fast Moving Consumer Goods (FMCGs) Villagers Buy

Table below shows some FMCGs that penetrate deep down into rural India. "Naturally, staples like tea and toilet soap are the highest - but that doesn't mean that rural consumers only go for the most basic products. One of the most startling results: tooth powders were long assumed to be the only sort of oral care product rural markets would buy, yet toothpaste penetration has actually overtaken powders (a similar shift is clearly happening from washing bars to powders).... The overall high penetration of oral care products is also testimony to the effectiveness of public health awareness campaigns - iodized salt is another example. The success of hair wash preparations like shampoos shows that personal care is as important for rural consumers as urban ones. And while the penetration of batteries may not be a surprise, the penetration of bulbs is interesting-rural India is clearly not such an area of darkness anymore, and as a further incentive to keep the lights on, remember that farmers get electricity free (Business World, 7-21, April 1999, pp. 68-69). See table for data in details, as table 9.7.

Table 9.7: The FMCG Penetration

Product Category	*Total Penetration (%)*	*Product Category*	*Total Penetration (%)*
Analgesics/Cold/Ethical Tablets	27.9	Tea	79.1
Batteries	21.3	Toilet Soaps	88.3
Bulbs	29.9	Tooth Powders	22.8
Edible Oils	84.7	Tooth Pastes	33.1
Hair Wash Preparations	39.4	Washing Cakes/Bars	87.5
Iodized Salt	61.5	Washing Powders/Liquids	70.3
Safety Razor Blades	45.4		

[*Source:* **Business World,** 7-21 April 1999, p. 69.]

Table 9.8: FMCG's Penetration in Rural India

Category	*Total Penetration*	*Highest Sec (01)*	*Lowest Sec (06)*
Analgesics/Cold/Ethical Tablets	27.9	24.6	26.6
Batteries	21.3	26.1	20.0
Bulbs	29.9	39.2	24.1
Edible Oils	84.7	76.3	90.2
Hair Wash Preparations	39.4	49.6	32.3
Iodized Salt	61.5	67.5	61.2
Safety Razor Blades	45.4	46.3	74.8
Tea	79.1	82.6	74.8
Toilet Soaps	88.3	93.4	83.9
Tooth Powders	22.8	20.7	22.3
Tooth Pastes	33.1	54.9	20.7
Washing Cakes/Bars	87.5	85.4	86.4
Washing Powders/Liquids	70.3	78.0	68.0

[*Source:* **Business World,** 7-21 April 1999.]

What is even more interesting, than the penetration, is the rate at which, it is growing. The table below shows the new users that add on during the course of a month. "Remember, with a total universe of 12.2 crore households, each percentage point means that 1.2 million new users have tried the category that month" (Business World 7-21 April 1999, pp. 69). Table, 9.9 can be seen for complete data.

MARKETING MYTHS UNDERMINED

In reality, the ORG-MARG Survey has undermined many common marketing myths about rural areas. Reality (as a result of the survey) has been presented below, against the myth, one by one:

Marketing Myth 1: Rural consumers aren't worth bothering about since they buy loose, unbranded products rather than the branded variety.

Reality: The study shows a high preference for branded products. In as many as 18 categories, branded consumption accounts for 80% of their sales. These are not always national brands - regional or locally manufactured brands still count. But this indicates the potential for national

brands it they can find a way to package their offering to compete effectively (Business World, 7-21, April 1999, pp. 69).

Table 9.9: Rate of Growth (Per Month)

Products	*Percentage of New Users Added in a Month*
Analgesic/Cold/Ethical Tablets	1.2
Antiseptic Creams	3.3
Batteries	1.6
Biscuits	1.0
Bulbs	1.3
Coconut Oil	1.1
Hair Oil	1.3
Hair Wash Preparations	1.4
Rubs and Balms	1.7
Safety Razor Blades	1.2
Tea	1.0
Toilet Soaps	0.8
Tooth Powders	1.4
Toothpastes	1.5
Washing Cakes/Bars	0.8
Washing Powder/Liquids	1.0

[*Source:* **Business World,** 7-21, April 1999, p. 69.]

Marketing Myth 2: It's okay if you're Nirma. Rural consumers will only buy really cheap mass market brands.

Reality: Obviously brands like Nirma lead, but another startling finding of the survey is that penetration of premium products is being reported (Business World, 7-21 April, 1999, pp. 69).

Marketing Myth 3: Rural consumer will take what's given to them. Marketers often believe that if they have solid sales in rural areas, those are secure.

Reality: It's true that rural consumers are quite loyal to some brands, like long-established ones like Chyavanprash or some toothpaste brands like Colgate which have made efforts to build the brand in rural areas or in categories where taste plays a role, like coffee and tea. But otherwise, as toilet soaps demonstrate, if there is a choice and little brand building, rural consumers can't be counted on to be blindly loyal. (Business World, 7-21 April 1999, pp. 70). Let's see the table 9.10 for detailed data.

Marketing Myth 4: One family, one brand. Marketers often expect rural households to be homogenous in consumption - there's one brand for the whole households.

Reality: In many categories multiple-brand usage is a fact.... Rural households aren't homogenous - there are different influences who may each be demanding their own brands (Business World, 7-21 April 1999, pp. 70). Table 9.11 presents interesting data.

Marketing Myth 5: Distribution drives rural sales. Rural marketing is only about distribution. Only if you can crack logistics - and many companies can't be bothered - well you sell in rural areas.

Table 9.10: No Blind Loyalty* to Brands

Product Categories	*Percentage Loyalty*
Analgesics/Cold/Ethical Tablets	21.8
Batteries	17.7
Biscuits	22.8
Bulbs	32.8
Chyavanprash	77.3
Coconut Oil	52.1
Hair Wash Preparations	28.9
Home Insecticides	85.8
Iodized Salt	24.2
Rubs and Balms	47.2
Safety Razor Blades	26.5
Shaving Preparations	67.3
Skin Creams	62.5
Tea	25.3
Toilet Soaps	3.1
Tooth Powders	47.3
Tooth Pastes	12.6
Washing Cakes/Bars	18.0
Washing Powders/Liquids	25.9

*Loyalty is defined as buying only a single brand every time the category is purchased in the last six months.

[*Source:* **Business World,** 7-21 April 1999, p. 70.]

Table 9.11: One Family Many Brands

Product Categories	*Percentage of Multiple Users*
Analgesics/Cold/Ethical Tablets	27.6
Batteries	8.2
Biscuits	28.8
Bulbs	12.0
Digestive	11.6
Edible Oils	15.4
Hair Wash Preparations	22.8
Rubs and Balms	10.1
Safety Razor Blades	16.1
Tea	26.0
Toilet Soaps	42.9
Tooth Powders	6.3
Tooth Pastes	8.6
Washing Cakes/Bars	30.7
Washing Powders/Liquids	21.9

Multiple users are those who have bought more than one brand in a category in the last month.

[*Source:* **Business World,** 7-21 April 1999, p. 70.]

Reality: Distribution is clearly the key to rural marketing. But it's wrong to imagine that it's all that matters. Rural consumers aren't cocooned off from the urban world. As urban areas spread, rural consumers are increasingly getting at least occasional access to markets in towns (Business World, 7-21 April 1999, pp. 70). See data below:

Table 9.12: Rural Favourites

Product Categories	*Percentage Share from Urban Purchase*
Shaving preparations	36.6
Rubs and Balms	32.0
Toilet soaps	24.0
Washing Powders/Liquids	23.4
Iodized Salt	14.4

Percentage of products which have been bought from nearby towns rather than within the village itself.
[*Source:* **Business World,** 7-21 April 1999, p. 70.]

Consumption and Spend on FMCG

The average rural household spend on consumables excluding foodgrains, milk and vegetables, for June 1999 is Rs. 215, with the most affluent households spending around Rs. 333

Table 9.13: Preference for Brands in Rural Areas

% Branded/ Particular	*<20*	*21–40*	*41–60*	*61–80*	*81–100*
Necessity	Non-refined oil	—	Iodized Salt, Tea, Washing Cakes	Biscuits	Toilet Soaps, washing Powders
Popular	—	Coconut Oil	—	Blues	Analgesics, Safety Razor, Tooth Pastes, Shampoos
Premium	—	—	—	Vanaspati, Bulbs, Hair Oils	Batteries, Rubs Rubs and Balms, Skin Creams, Tooth Powders
Super Premium	—	Refined Oil	Home Insecticides	—	Tooth Brushes, Antiseptic Creams, Antiseptic Liquids, Chyavanprash, Digestive, Mosquito Repellant, Shaving Preparations Tube Lights

[*Source:* **Business World,** April 7-21, 1999.]

and the least affluent ones spending about Rs. 166. Of the spend on consumer goods, 44 per cent is on food articles such as biscuits, team, coffee and salt, 20 per cent on toiletries, 13 per cent on washing material, 10 per cent on cosmetics, 4 per cent on OTC products, and 9 per cent on other consumables (Joseph, 1999, p. 384).

CONSUMER MARKETS-GROWTH TRENDS REVIEWED

Consumer demand that was tapped during the mid-90's, effortlessly, was the latent demand. However, during the late 90's producers witnessed the heat of increased competition due to an erosion of growth in the size of latent demand and the growth in household incomes. Further that due to a number of monsoon failures, etc., there was a slow down in the economy. But, the consumer durables sector, seems to be on the growth recovery path during last few years due to increased availability of retail/consumer finance.

"Our research based on the annual MISH surveys (Market Information Survey of Households) of NCAER have also brought out that the demand for relatively high-priced consumer durables is being driven by availability of retail finance" (Shukla & Brahmankar, 2003, p. 63).

Table presented below can illustrate this well.

Table 9.14: Market Growth (Per Cent Per Annum)

	1992-93 to 1995-96	*1995-96 to 1997–98*	*1997-98 to 1998–99*	*1998-99 to 1999–2000*
Purchase of White Goods				
Urban	21.4	18.1	12.2	17.2
Rural	23.7	24.2	26.0	22.4
Total	22.0	19.8	16.2	18.9
Financed Purchases of White Goods				
Urban	19.6	14.8	–17.1	17.4
Rural	20.4	14.3	– 5.9	39.6
Total	19.8	14.6	–14.1	23.9

[*Source:* **Shukla & Brahmankar,** 2003, p. 63.]

Besides advancements in retail financing, there have been other factors governing rural-urban differentials in product penetrations. Lack of the spread of electricity is the single most important factor; 37 per cent of the difference was explained by this factor alone in 1998-99. Around 30 per cent of the penetration - difference is accounted for by income disparity, while difference in lifestyles accounted for around 26 per cent. Over the '90s, no significant change is noticed in case of income and lifestyle's contribution. If one considers only electricity-run products, then the quantum of the effect of electricity gets magnified. In 1998-99, the income disparity among rural and urban households contributed around 23 per cent to the difference in penetration of electrical goods. However, lack of electricity accounted for 56 per cent. The effect of difference in lifestyle contributed for jut 11 per cent, indicating converging lifestyles (Shukla and Brahmankar, 2003, p. 63-64).

Table 9.15: Growth of Rural FMCG's Market

Category	*Total Size (Rural-Urban) 1998-99 (Rs. Crore)*	*% Growth (AC1GR for Last 5 years)*	*Rural Size*	
			2001-02 (Rs. Crore)	*2006-07 (Rs. Crore)*
Toilet Soaps	7500	13.4	6021	11291
Body Talcum Powder	940	23.65	793	2292
Tooth Paste	2080	23.50	1441	4140
Cooking Medium (Oil)	17000	10.91	15377	25806
Cooking Medium (Vanaspati)	3900	7.63	2844	4108
Tea	6500	10.97	4955	8337
Health Beverages	908	28.54	601	2110
Electric Bulbs	750	9.40	354	555
Electric Tubes	158	9.40	74	121
Cigarettes	7662	13.09	6422	11879
Packaged Biscuits	2500	6.79	1323	1937
Hair Oil/Cream	175	30.85	179	689

* Projected
[*Source:* **Business Intelligence Unit and NCAER,** Delhi.]

Table 9.16: Factors Affecting Penetration of Consumer Durables in Rural Areas

(Per cent)

Factor	*For a Basket of 28 Products*		*Electrical Products*	
	1989-90	*1998-99*	*1989-90*	*1998-99*
Income	30.7	30.3	18.8	22.9
Electricity	34.6	37.3	55.1	56.0
Interaction between Income and Electricity	9.7	6.6	15.4	9.9
Lifestyle	25.0	25.8	10.7	11.2

[*Source:* **Shukla** and **Brahmankar,** 2003, p. 64.]

As far as FMCG (Fast Moving Consumer Goods) sector is concerned, very high growth, apparent in the mid-nineties, declined rapidly by the end of the decade. The initial growth was due to increase in product penetration and consumption levels. NCAER's India Market Demographics Report 2002 will reveal more on this. See data table 9.17.

Among the mass-market products with high penetration levels consumption levels have almost stagnated (although they may be lower as compared to western standards). It is found that income has a significant bearing on their consumption levels - as seen through per cent impact on the change in product market size between 1995-96 and 1998-99 - toilet soap (77%), washing cakes (32%), washing powders (49%), tea (34%), hair oils (43%) and cooking media

Table 9.17: The FMCG Market (for 22 Products)

Year	*Market Size (Rs. Billion at 1995-96 prices)*			*Growth (Per Cent Per Annum)*		
	Urban	*Rural*	*Total*	*Urban*	*Rural*	*Total*
1992-93	220.4	319.9	540.3	—	—	—
1995-96	292.5	378.6	671.1	9.9	5.8	7.5
1996-97	309.1	410.5	719.6	5.7	8.4	7.2
1997-98	382.5	457.6	840.0	23.7	11.5	16.7
1998-99	371.3	415.5	786.8	–2.9	–9.2	–6.3
1992-99	—	—	—	8.3	3.2	5.4

[*Source:* **Shukla** and **Brahmankar,** 2003, p. 64.]

(25%). Most importantly, this is the category of products that contributes that contributes for over 60 per cent of the overall FMCG market (which was over Rs. 915 billion, for a basket of 22 products, in 1998-99 and is over Rs. 1,100 billion at present). Even a small change, in, say, per capita consumption could imply large overall change in the market due to the sheer size for such product markets. Given the fact that rural India accounts for over half of the consumption of FMCG products, it is but natural that here exist linkages between market growth and performance of agriculture that calls for more intensive research. The change (between 1995-96 and 1998-99) in the market size of medium-penetration products - such as toothpaste and body talc - is on account of growth in their penetration and consumption levels. Those products that have low penetration and consumption levels (such as cosmetics) are on a high growth path. However, they form a minuscule part of the FMCG product basket. These categories have immense market potential that is still untapped (Shukla and Brahmankar, 2003, p. 65).

Table 9.18: Rural Shares of FMCG

Sr. No.	*Company*	*Rural Share (%)*	*Sr. No.*	*Company*	*Rural Share (%)*
1.	HLL	50	10.	Glaxo-Welcome	25
2.	Colgate	50	11.	Cipla	18
3.	Godrej (GCPC)	30	12.	Ranbaxy	17
4.	Cavin Kare	33	13.	Nicholas Piramal	19
5.	Marico	25	14.	Sun Pharma	7
6.	Cadbury	25	15.	Hero Honda	40
7.	Smith Kline Beecham	25	16.	Toyota	50
8.	Heinz	20	17.	Kinetic	30
9.	Nerolac Paints	7			

[*Source:* **Ramakrishen, Y.,** Rural Marketing, Jaico Pub. Delhi, 2002.]

Case 1: Asian Paints

Asian paints has achieved comparatively better financial performance than its competitors. Its sales went up by 19 per cent and operating profits by 43 per cent, during 1999-2000. It has targets to achieve increased market share and high growth in coming years. It has targeted 21-35 per cent market share with Rs. 2100 crore. Out of paint market (Rs. 4500 crore). Asian Paints has share of 21 per cent in total market and 41 per cent in organized sector. The market is growing with 10-12 per cent per annum. Thus, target of 35 per cent by 2003 is a big task for Asian Paints. The company has 14,500 dealers, 2000-2500 suppliers in six regional distribution centers. The company has evolved a three pronged strategy to grow much faster - new products, new markets and new promotion. The company has launched Tractor, Apcolite, Opal Pu, Apex and Utsav brands. The company is targeting sub 5000 (population) localities, whereas earlier it had remained constant to serviced the smaller towns as hubs for the countryside. It used mobile vans and a demonstration-cum-sales technique to flog the Utsav brand in two or three districts last year. The company has largest number of dealers. It offers customers advice on painting solutions - from brand to be used to the painter available in the locality.

Questions

1. Explain the growth model of Asian Paints.
2. Suggest the marketing plan for Asian Paints.
   [*Source:* **Manish Khanduri, Business Work,** 17 July, 2000.]

Case 2: Ruf And Tuf Jeans

India's leading denim manufacturer, Arvind Mills, achieved the expansion of its customer base, with a new brand tailored for specifically the rural market. A study revealed the following facts:

- Many in rural areas found even the cheapest branded jeans beyond their means.
- There is skepticism towards readymade products among rural customers.
- Ready to stitch jeans for the first time priced at Rs. 195, as against the unorganized sector's range of Rs. 150-350, the kit included a denim trouser length with specific tailoring instructions and the branded zipper, rivets and buttons that distinguish jeans from mere denim trousers in the customer's mind.
- The product was made available in villages with a population as small as 5000. Local cloth shops were used as retailer outlets.
- Workshops were organized to train local tailors and to inform them about the changes required in regular sewing machines out stitching jeans.
- The demand crossed a million pieces as against a production capacity of 2.50 lakh kits within a time span of two months.

Questions

1. Analyse the reasons for success of Ruf & Tuf Jeans in Rural India.
2. Suggest marketing strategy for marketing of Peter England Trousers in Rural U.P.
   [*Source:* **M. Shah, Business India,** July 13-26, 1998.]

Case 3: Colgate-Palmolive India Ltd.

Colgate-Palmolive India Ltd., is one of the leading companies in FMCG's. Till late 1980s, it was pretty much smooth sailing for CPIL. Smaller toothpaste brands like Promise, built a strong franchise in early 1980s and then began to flag. Others, such as Forhans, and Binaca, faded away into the background. But in the late 1980s, Lever wanted to change the vary way the market was curved up. It was moving aggressively to segment the market into two distinct need areas with sharply defined brands. With effective advertising, the very dynamics of toothpaste marketing started changing. Thus, the great toothpaste war began. Colgate matched close up with a get variant of its own, aimed at those who wanted to keep their partners happy. CPIL brought colgate total, a top end formulation of its US based parent, to India, priced at 2.5 times its regular paste. The product failed to justify its premium to the consumer. This tartar fighter was supposed to be the knight in shining armour, and its failure dealt a severe blow to CPIL's leadership of the market. Meanwhile, Colgate's advertising had become 'globally aligned' with US based, Young & Rubicam, which tied up with re-diffusion in India, and lost some of the local zest. Thus, CPIL saw the opportunity. The market expansion was to be done as the 90,000 tonnes (Rs. 200 crore) toothpaste market had barely grown 3 per cent in 2000. Colgate Total has started doing well in the past two years. Total is medically superior formulation that is big in high awareness market. It can upgrade users of gels as well as protective pastes. The strategy is expected to unto the 1990's segmentation by harmonizing the two different needs. Balsara's Babool was already a success. Colgate acquired Cibaca and re-launched it as Colgate-Cibaca Top in a maligned package. Colgate Herbal is launched as a part of its flanking strategy against aim, as Neem toothpaste by Lever.

In 1976, Colgate launched 'Operation Jagrati' programme to create oral hygiene awareness. Nearly 100 vans went deep into rural areas to generate tribals through its 30 gm pack. Colgate reaches 60,000 villages and 18 million rural consumers. Overall, an important part of the education programme is CPIL's association with the Indian Dental Association. Colgate's distribution strategy is a three pillar one: (*i*) physical distribution reach; (*ii*) customer marketing approach; (*iii*) modernization of sales operations and enhancement of sales efficiencies, effective presence in haats and savories. It also caters to about 3 million retail outlets that stock toothpastes ranging from roadside klorks to fancy supermarkets. Colgate supplies stock which are 'key account holders' supplying supermarkets chain and the like. Thus, Colgate has gained the strong brand image and it is progressively marching ahead.

Questions

1. Explain the strategy of Colgate-Palmolive Ltd.
2. Analyse the marketing mix of new product - Colgate Tulsi in rural Uttar Pradesh.
   [*Source:* **Krishnanamacharyule** and **Ramakrishnan,** 2003.]

Case 4: LG Targets Rural

LG Electronics India Ltd., is a major dealer in Colour Television. It has already made a mark in the television segment and as all set to capture the home appliances market with refrigerators, washing machines, airconditioners and other appliances. LG has targeted the emerging rural

(*Contd.*)

markets with high technology products at a reasonable price. It is also training its sights on the institutional and governmental segment a new. The idea it to grow sales from the institutional segment from five per cent now to 10 per cent in the coming year. As part of its strategy to tap the rural markets. LG has initiated steps in Andhra Pradesh, Tamil Nadu, Punjab and Haryana, mainly targeting the rich and middle class of agricultural segment. A budget of Rs. 10 crore has been allocated for rural marketing in the coming year 2003-04. It has targeted to achieve rural market by 20 per cent accounting for Rs. 900 crore. LG is banking on its grassroots level marketing to edge out competing heavy weights such as BPL, Samsung, Videocon and Whirlpool, which are all breathing down to neck. Low priced 'Sampoorna' TV has been a major success in rural India since its display system ensures vernacular language as per local tongue and interest. This has been ensured through investment of Rs. 25 lakh for product modification. The company has already about 100 service centres in the country to cater to the consumer and it intends to enhance quality of the services and goods.

Questions

1. Suggest a marketing plan for effective marketing of TV and Refrigerators in rural U.P.
2. Discuss marketing mix of Videocon Coloured TV in rural U.P.
   [*Source:* **Krishnanamacharyule** and **Ramakrishnan, Cases in Rural Marketing,** Pearson Education, Delhi, 2003.]

Case 5: Hindustan Lever Ltd.

HLL's origins can be traced back to England based company, William Heskech Lever, established in 1885 by Lever Brothers. The company entered India in 1888 through the export of its laundry soap 'Sunlight'. In 1932, HLL's vanaspati accounted for almost three-fourth of India's production of nearly 6,000 tonnes. In October 1933, Lever Brothers (India) Pvt. Ltd., was incorporated as a wholly owned subsidiary of Unilever. In the later 1950s the company undertook modernization of its facilities. It also expanded its manufacturing capacity for vanaspati by buying factories. In 1970s. HLL set-up 70 medium and small scale factories in the rural areas for manufacturing soaps and detergents. In 1986s, HLL moved into agri-business by setting up a unit in Hyderabad. In 1997, HLL had a total market share of 58-60 per cent in the FMCG sector, which further increased to 62 per cent in 1998. HLL launched 41 new products and re-launched around 41 products innovations.

HLL used both wholesalers and retailers to penetrate the rural markets. A fleet of motor vans covered small towns and villages. These vans induced retailers to stock HLL products and display advertising material in their shops. There were some 7000 re-distribution stockists who served over a million retail outlets. The company targeted to contact 16 million new villages by 1999. Company launched project streamline that was introduced in select states of the company in 1998. 'Project streamline' addressed the problems of rural distribution system to enhance HLL's control on the rural supply chain as well as the increase the number of rural retail outlets from 50,000 in 1998 to 100,000 in a time span of one year. In 1998, the personal products, division of HLL launched another campaign called 'Project Bharat' to be carried out by the end of 1999. It was a direct marketing exercise undertaken to address the issues of awareness, attitudes and habits of rural consumers and increase the penetration level of HLL

(*Contd.*)

products. The company also followed a programme of 'Integrated Rural Promotion Van' which further enhanced the awareness about HLL's products in villages with a population above 2000. The company provided self-employment opportunities to villages through Self Help Groups (SHG's). The SHGs were provided micro-credit for marketing of consumer goods in the villages. In 1999, the company tied up with various non-governmental organizations (NGO's), UNDP and voluntary organizations to increase awareness about health and hygiene in villages. The company set a goal of reaching 2,35,000 villages from the existing 85,000 and covering 75 per cent of the population from the existing 43 percent. In August, 1999, HLL launched a nationwide community Dental Health campaign in association with Indian Medical Association to promote its toothpaste Pepsodent. In April, 2000, the company launched another campaign called 'Project Millennium' wherein it targeted at increasing its share in the market. HLL went on to participate in a rural communication programme called the 'Grameenon Ke Beech' (amidst villagers) in August, 2001. The programme was launched by the Rural Communication & Marketing Pvt. Ltd. The first phase of the programme covered 1000 villages and 2000 satellite villages in 22 districts of western U.P. and 13 districts of Central U.P. over a period of six months. The programme involved setting up of company stalls, product briefings and demonstrations, interactive games, lucky draws, magic shows and the screening of a hit movie interspersed with product commercials. In late 2001, HLL launched another project called 'Project Shakti' in the state of Andhra Pradesh for a period of six months. Project Shakti sought to create a sustainable partnership between HLL and its low income rural consumers of providing them access to micro-credit, an opportunity to direct that credit into investment opportunities as company distributors and reward for growth and enterprises through shared profits.

Indian FMCG Companies Rural Market Penetrate

Company	*% Household Penetration*
HLL	88
Nirma Chemical Works	56
Colgate Palmolive	33
Parle Foods	31
Malhotra Marketing	27

[*Source:* **Mukund,** ICFAI Centre for Management Research, Hyderabad.]

Questions

1. Explain main issues involved in the case.
2. Examine the strategy of distribution of HLL.
3. Suggest measures for effective distribution of goods to HLL.

Case 6: Chick Shampoo

Chik Shampoo was launched by Cavinkare in March 1983. The brand was launched initially in 10 ml packs and later in Sachet form. Chik Shampoo used French perfume to differentiate itself on the plank of superior fragrance. The target was lower middle class and semi rural female.

(*Contd.*)

Innovative radio advertising based on popular cinema dialogues supported the brand. To penetrate in rural markets, Cavinkare's team traveled extensively in rural pockets, caught hold of school boys to demonstrate how to lather and wash, comb hair and show the difference.

The market begun to surge by the mid 1990's, the shampoo market was growing at about 25 per cent. Then, small packs contributed roughly 40 per cent of the total shampoo volumes. Rural markets were growing much faster than urban markets. Today, Chik is the No. 1 brand of shampoo in rural India. It is strong rural brand and roughly 65 per cent of the sales of Chik Shampoo come from rural markets.

Rural Hold of Chik

State	*No. of Villages*	*Market Share (Volume in %)*	*Position*
U.P.	107440	66.86	1
M.P.	55392	21.96	2
Bihar	45113	31.82	1
Andhra Pradesh	28123	39.01	1
Tamil Nadu	16870	45.77	1
Orissa	55352	18.42	2

Questions

1. Discuss the case in the context of marketing mix.
2. Analyse the case and suggest policy measures for sustaining the brand loyalty and market share.
3. Explain the promotional strategies of Chik Shampoo.
   [*Source:* **C.K. Rangnathan, Praxis, Business Line,** July, 2003.]

Case 7: Prestige

Prestige, India's leading pressure cooker brand, over the last few years was faced with the problem of stagnant sales and reduced realizations. Urban markets were getting saturated. Prestige Popular, in larger sizes, was launched in 1999, and since then the sales has been on the decline. However, rural markets were growing at almost five times the growth of the category. Thus, company decided that rural market are going to be a thrust area of marketing. A pilot project in the rural Mahboobnagar district of Andhra Pradesh with the help of MART was initiated. The women's self help group (SHG's) movement has been very strong in Andhra Pradesh. MART and the company organized meetings of the women of SHG's explaining the concept of pressure cooking, giving them details on the company, the brand end what they stand to gain by selling Prestige pressure cookers. For enlisting dealers the help of animators, who are paid a stipend by the Government for propagating/implementing developmental activities of the state government among the rural population, was enlisted. All those who became dealers were given a demo pressure cooker. Meetings were organized by the dealers for potential customers, where the concept of pressure cooking was explained. These meetings

(*Contd.*)

were attended by company personnel so that the dealers got trained on the concept of pressure cookers.

To take the initiative forward the company got in touch with the Department of Women Empowerment. The TTK group was asked to make a proposal on how it could work with the government on improving the lot of the rural women. After prolonged discussions with the Department, TTK gave a proposal which was a three pronged strategy:

1. Appointing women as dealers of ‘Prestige’;
2. Setting up an assembly plant in Andhra Pradesh with land and building provided by the government using women of the rural areas;
3. Setting up a ready to fry snakes conversion units in each of the 21 districts of Andhra Pradesh with equipment provided by TTK and appointing dealers to sell these snakes in each of the mandals in these 21 districts.

TTK Prestige has set up a four members sales team to take the rural initiative forward. During 2003-04, 1000 dealers are to be appointed. Dealers would be women as individual or SHGs themselves. The company intends to replicate this model in three others southern states i.e. Tamil Nadu, Karnataka and Kerala in the near future.

Questions

1. Analyse the ‘Prestige initiative’.
2. Discuss the case and suggest marketing plan for marketing of pressure cookers in rural areas of U.P.
   [*Source:* **K.G. George, Praxis, Business Line,** July, 2003.]

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10

Rural Distribution Channels

Rural India-627,000 villages, 629 million people. The ultimate market to crack open. For decades, a range of consumer goods companies like Hindustan Lever, Colgate-Palmolive and Philips have been trying to make inroads here. From their plush corporate offices in the metros, the villages are another world. In almost another age, yet, at any time, at least half their sales force is sweating it out in smaller towns and villages (Seshan, 1998, p. 126). The opportunity seems big. 12 per cent of the world's population, or 126 million households, lives in rural India. Purchasing power exists. Between 30 and 50 per cent of the consumption of a number of consumer goods comes from rural India. Faced with intense competition in their urban markets, where high media spends and expensive consumer promotions are the order of the day, marketers are queuing up to milk the great rural opportunity (Mishra and Gupta, 1999, p. 3). However, the problems and challenges are plenty. They all have a direct bearing on distribution, and make this task much more challenging. Considering these constraints and, thus, high distribution costs, the companies have started developing alternatives to make distribution more effective.

Initially, most companies balked at the prospect of combating poor transport and communication facilities, highly dispersed village settlements, and the sheer number of small retail outlets recording very modest sales. According to one estimate, two-thirds of the estimated 3.3 million retail outlets in the country are located in rural areas. Therefore, before 1970, retailers were being serviced by distribution companies like Voltas and Spencers, which retained a healthy profit margin of 10-15 per cent. They delivered an entire range of products, from biscuits to pharmaceuticals, to shop shelves across the country. In the mid-1980s, the fortunes of these distribution companies began to wane. Manufacturers began taking distribution into their own hands, investing in developing their own dedicated, focused channels (Bhardwaj, 1998, p. 126).

THE VILLAGE RETAILERS

Accessing rural markets presents a challenge to the marketer as these markets are geographically spread out with a large number of retail outlets. The rural retail system is, therefore, the predominant mechanism to reach and service the rural consumers. This is achieved by a system of more than two million village shops. The task before the market are:

- to ensure that the product reaches the rural retail outlet;
- to motivate the retailer in rural markets to stock a product or a brand. This is important given the limited number of items on the rural retail shelf. It is also critical as higher dealer generation results in higher reach among consumer and, therefore, a higher market share (Velayudhan, 2002, p. 137).

This can be done by understanding and handling various influences on distribution. Following are important influences on distribution to rural markets:

- Purchase behaviour of consumers;
- Characteristics of retailers; and
- Behaviour of the channel (Velayudhan, 2002, p. 138).

Purchase Behaviour of Consumer: Is greatly influenced by rural retailer who helps create brand knowledge in rural folk, and enjoys 'shop-loyalty' (rather than 'brand loyalty') of rural consumer. In rural areas of central part of the country, 'Vyavahar' (largely implying 'relationship' in social dealings) is a great influencing factor. 'Vyavahar' helps them developing long-lasting relationships. It is this 'Vyavahar' that the rural retailer enjoys, builds and strengthens. The companies must tap this aspect of social behaviour for rural marketing. Gillettee for example, is already tapping it. See, for instance, Ghosh and Krishnaswamy (1997).

Characteristics of Retailers

1. Rural markets are geographically widespread, involving high distribution costs and low volumes, working as a deterrent for entry of products in rural markets.
2. Retail premises, are mostly rented, and retailing is often part-time occupation.
3. Retail Shelf, stock few standard categories compared to those in urban areas.
4. Stock turnover is low-posing a challenge of how to ensure that a product or brand is on the shelf.

Behaviour of the Channel (Retailer)

1. **Credit facilities to customer:** (by the rural retailer) is common, often on essential items.
2. **Pricing:** Some retailers often over charge, not posing on discounts to customers. There is also deliberate undercutting of price.
3. **Reasons for stocking (product/brand):** Either demand, or wholesaler's push.
4. **Information and influence sources:** The wholesalers and retailers are both information sources, and influence on each other.
5. **Purchase source:** Since visits of distributors' agents to interior village retailers is very few, the rural retailers travel down to feeder towns for supplies.
6. **Channel credit:** Village retailers avail credit facilities offered by distributors in feeder markets.
7. **Channel promotion:** Retailers in feeder markets avail more discount as compared to retailers in interior villages, for they prefer not to stock more.
8. **Promotion by the retailer:** While rural retailers have great influence on buyer in order to promote sale, the retailers are also influenced by the commission and credit received so as to do such a promotion.

As can be seen from the figure 10.1, retailer characteristics, retailer behaviour, together with purchase behaviour of the consumer, have all a leading role to play in making distribution channel decisions in rural areas, especially in India. These decisions will ensure that product reaches the rural retail outlets, and will motivate the retailer in rural markets to stock products or brands.

Retailer System and Channel Decisions

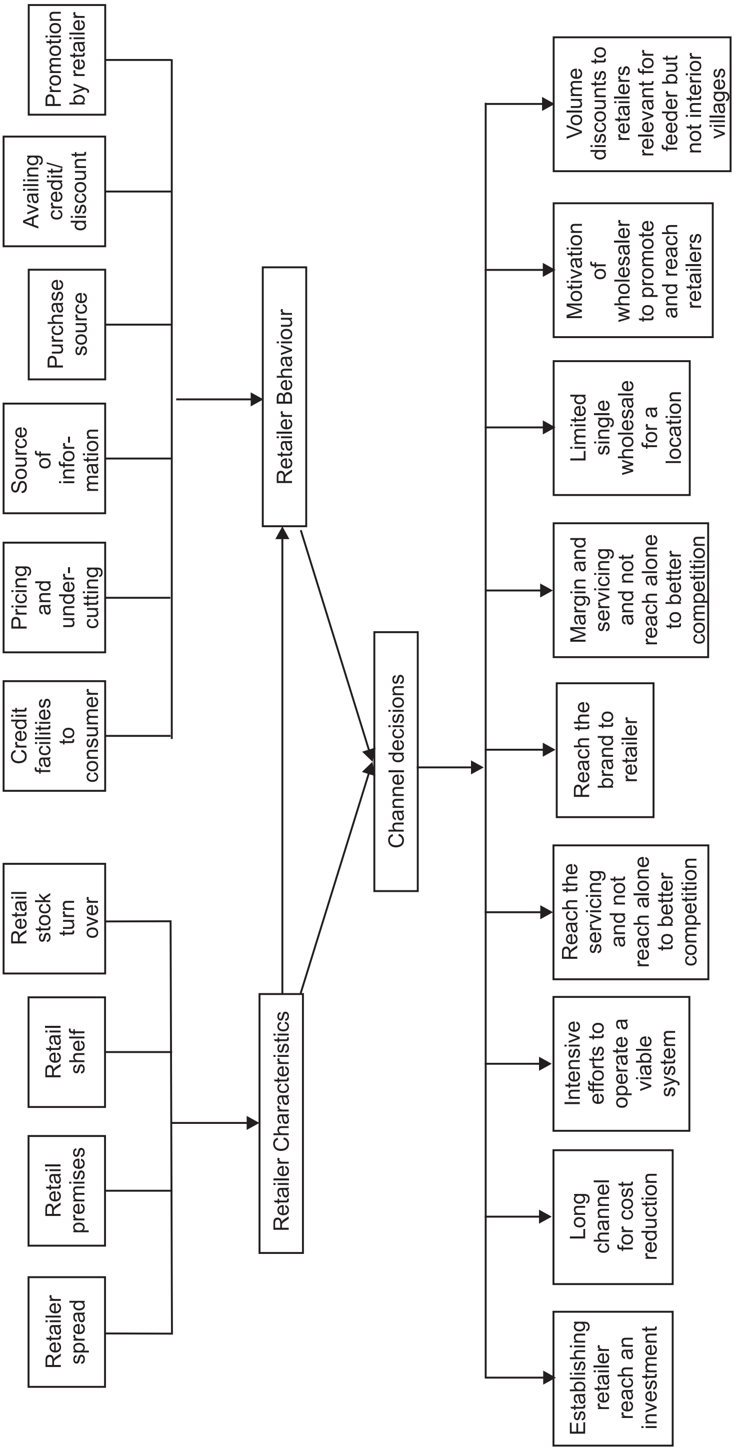

Fig 10.1: Retailer System and Channel Decisions
[*Source:* **Velayudhan**, 2002, p. 141.]

Indian Tobacco Company

ITC e-choupal initiative, which is looking at raising its present reach of 9,000 villages to 1,00,000 villages, and some 1,500 kiosks to 20,000 kiosks over the next 10 years, uses a communication model based on local language platforms.

Britannia Industries

Launched Tiger Biscuits, which was a huge success, especially for the rural markets.

Godrej

- Godrej Consumer Products, introduced three brands of Cinthol, Fair Glow and Godrej in 50 gm. packs, priced at Rs. 4-5, meant specifically for Madhya Pradesh and Bihar.
- The company uses radio to reach the local people in their language and push its soap brands into the interior areas.

LG Electronics

- LG Electronics defines all cities and towns other than the seven metro cities as rural and semi-urban market, and has set up 45 area offices and 59 rural/remote area offices.
- 'Samporna', its customized TV for the rural market launched in 1998, was a huge success, selling 1,00,000 sets in the very first year.
- The company uses local language advertising and also uses vans and road shows to reach rural customers.

Escorts

- In September 98, the company established its rural marketing sales by positioning their mobike as a tough vehicle. Their advertisements, featuring film star Dharmendra riding Escort with the punch line *Jandar Sawari, Shandar Sawari*, helped them achieve the sales of 95,000 vehicles annually.
- They concentrated on TV and print advertisements, and took a focussed approach in promoting the product in melas.

CavinKare

- Live demonstrations of hair care products being conducted by Chennai-based CavinKare Products.

Hindustan Lever Limited

- Under its 'Operation Bharat', the company gave away low-priced sample packets of its toothpaste, fairness cream, Clinic plus shampoo, and Ponds cream to 20 million households in the rural market.
- Having realized the potential of India's rural market, the company launched a variant of its largest selling soap brand, Lifebuoy at Rs. 2 for 50 gm. It also launched a green variant of Lifebuoy soap, Lifebuoy soap; Active Green, made of natural ingredients such as neem and tulsi.
- HLL has built a strong distribution system, and has developed a direct access to markets through wholesale channel, creating awareness through media, demonstration and on ground contact.

(*Contd.*)

- The company relies heavily on its own company-organized media by way of promotional events organized by stockists. HLL stockists use autorickshaws, bullock-carts, and even boats in the backwaters of Kerala, in order to service the remote villages.

Coca-Cola

- Coca-Cola India doubled the number of outlets in rural areas from 80,000 in 2001 to 160,000 in 2003, which increased market penetration from 13% to 25%.
- It introduced the price point of Rs. 5.
- The rural market as one date accounts for 80% of new Coke drinkers and 30% of its volumes.
- Coca-Cola has also introduced Sunfill, an instant ready-to-mix powdered soft-drink concentrate, available in a single-serve sachet of 25 gm. priced at Rs. 2, and multi-serve sachet of 200 gm. priced at Rs. 15.
- The company has evolved a 'hub and spoke' distribution model to reach the villages. To ensure full loads, the company depot supplies large distributors who act as 'hubs' twice a week, who in turn appoint and supply smaller distributors once a week. Because of the lack of electricity and refrigerators in the rural areas, Coca-Kola provides low-cost ice boxes—a tin box for new outlets, and thermocol box for seasonal outlets.
- Coca-Cola uses a combination of TV, cinema and radio to reach 53.6% of rural households. It doubled the spend on Doordarshan, used banners and posters, and also tapped local forms of entertainment like annual *haats* and fairs, and made huge investments in infrastructure for distribution and marketing.

Given this background, we can draw three conclusions about when higher cost direct distribution is required to service rural markets :

- Direct distribution in rural markets becomes critical as a market share strategy when competitors play the wholesale game equally well/better or are directly reaching rural retail markets;
- Direct distribution also becomes critical if there are a large number of new products specially for the rural markets; and
- Direct distribution is less critical for a market leader with no competition in the immediate future and no new products for the rural markets (Mishra and Gupta, 199, p. 3).

Fig. 10.2: Corporate Strategy

Consumer Durables Retailing in Villages

Durables retail outlets have been there, for long, in villages which happen to be budding towns and those which are so located as to be the commercial hub for surrounding villages. A census of retail outlets in year 2000 identified some 1,451 such villages across the country with 16,548 outlets. However, for no durables were the sales from such outlets adding upto even 5 per cent of the total sales. For example, for fans, for which 53 per cent of the residential segments' sales are from rural areas, only 4.7 per cent came from the 7,208 rural outlets. For colour television sets, rural areas account for 26 per cent of the total sales but only 4.4 per cent happened through the 2, 244 outlets in rural areas (Xavier S. & Swaminathan, 2003, p. 52).

Serious rural durables retailing is largely enviable. He lacks space to stock and costs would be higher for him forcing him to sell at higher price, electricity is largely not there in rural

areas. "Despite the claim that practically all villages in India are electrified, several studies have shown that hardly a third of rural households have electricity connections" (Shukla and Brahmanker, 2003, p. 64).

Today, in many villages, there will be people who will tell you the price differentials for a CTV or a refrigerator in the nearest town, in the nearest class-I city and the nearest big city. They visit those places anyway. That is not all. Many of the rural buyers like the idea of seeing the hundreds of options in city shops, visiting several shops, checking the prices and finally making the choice. Back home, the fascinating models they saw, the bargaining they did and the incredible deal that they got, is the talk of the village. How tame will the whole affair be, if he were to buy from the retailer next door, one of the few sets that everyone in the village has seen (Xavier S. and Swaminathan, 2003, p. 52-54).

It is hard to see major changes in the rural retailing situation for durables over the next five years. Rural distribution may continue to remain in urban India. However, it is a long way from villages to major cities. If we can satisfy the rural customer's needs, in a smaller city or a larger town, close by, instead of in the bigger city, that would still mean that we are getting closer and closer to the rural customer (Xavier S. and Swaminathan, 2003, p. 56).

'HAATS' AND FAIRS

'Haats' and fairs, held regularly, provide a unique opportunity for the marketers to access the rural consumers. Attendance here is very high. We will discuss these in two parts, viz., (*a*) the 'Haats' and (*b*) 'Melas' (fairs).

'Haats': 'Haats' are periodic (weekly) markets, offering very useful mechanism of reaching the interior rural markets. They have the capacity to reach a very large number of potential consumers. Kashyap (1998) estimated that there are 47,000 'haats' held periodically in rural India. According to another estimate Haats (village Bazaars) operate once a week or more often in a total of 41,888 villages (Business Standard - The Strategist, Tue., 27 April 1999, p. 2).

Rural folk assemble at a particular 'place', atleast once a week to buy or sell, which is called a 'haat'. Large haats are held at large 'places' whereas smaller ones at small places. The goods sold in these places vary from agricultural and forest produce, various village handicrafts, to anything having potential of being sold or purchased. In these 'haats' space is rented out by paying nominal taxes for the stall.

Traders in these haats are of the kinds shown in figure 10.2:

Part-Time Traders: Part-time traders comprise of producer-sellers and collector-sellers, that operate in 'Haats'.

Producer-Sellers: They produce earthenware, bamboo ware, brooms, ropes, etc., for domestic use, besides growing vegetables, fruits, etc., for sale, quite often on barter basis. However, there is often absence of standardisation of weights and measures.

Collector-Sellers: They collect leaves (of various kinds), firewood, grass for fodder, etc., for sales, again often on barter basis. Here again there is an absence of standardisation of weights and measures.

Full-time Trader: Full-time traders in these 'Haats' comprise of three classes: the selling-traders, the buying-traders, and service-providers.

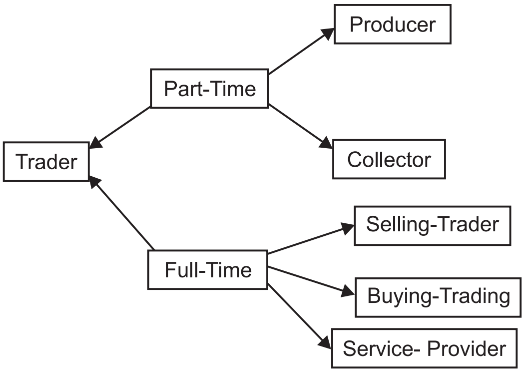

Fig 10.3: Types of Traders in 'Haats' (Periodic Markets)
[*Source:* **Velayudhan**, 2002, pp. 158.]

Selling-Traders: are those that sell goods (*a*) frequently required (such as general provision goods etc.), or (*b*) less frequently required (such as utensils, clothes, footwear, etc.). They can be further subdivided depending on size, viz. (*a*) small selling-traders, and (*b*) big selling-traders.

Buying-Traders: They buy from the haat in order to sell somewhere else or at some other time. They deal in fruits, vegetables, lac, mahua, etc.

Service-Providers: They are engaged in services, including being cycle mechanics, barbers, blacksmiths, carpenters, sweet meat sellers, tea stall owners etc.

'Melas' (Fairs)

People converge at specific places, on occasions or festivals or to commemorate other important events. These fairs can be held on occasions such Baisakhi, Holi, Dussehra, Durga Puja, or Deepawali, etc. These are connected to religious festivals that people attend as part of their deeply ingrained religious culture. Rural folk eagerly look forward to these fairs, which are often held when the farmers have reaped harvest, and can sell the excess produce. Villagers are in joyous mood and often are prepared to spend. Families take part in these fairs. Hence, a good opportunity to the marketers. Marketers can launch new products in 'melas', and can carry out promotion of existing 'brands'.

Characteristics of Melas: The average number of stalls per mela is 854, the average sale per 'mela' day ranges from a low of Rs. 60,000 in Assam to Rs. 8.8 million in Haryana. The duration of a 'mela' varies from one to 45 days. A study indicated the average number of visitors as 0.76 million per 'mela' (the reason for this high figure is because some of the biggest 'melas' such as Kumbh, Pushkar, and Sonepur were included in the study) (Velayudhan, 2002, p. 162).

Unlike the 'haats', which cater primarily to the essential needs of the local people, 'melas' cater to a much larger population, both rural and urban, with more sophisticated factory-made products. Almost half the outlets in the 'melas' sell manufactured goods (Kashyap, 1998, quoted by Velayudhan, 2002, p. 162).

Table 10.1: Type of Outlets at Haats and Fairs

Type of Product	*Type of Outlets (% of Total Outlets)*	
	Haat	*Fairs*
Agro-related products	39.6	5.6
Manufactured goods	24.3	42.0
Processed food	13.2	19.5
Textiles/Garments/Handicrafts	8.4	15.6
Grocery/Stationery/Medicines	6.0	9.0
Services	5.5	4.2
Forest products	2.1	0.1
Entertainment	0.9	4.0
Total	100	100
Average number of outlets	314	854
Average daily sales (Rs. lakh)	2.34	54.95

[*Source:* **Pradeep Kashyap,** 'Traditional Haats and Melas In India' Report, Cited in **Business Today,** October 7-21, 1996.]

MOBILE TRADER

- They purchase stocks from the neighbouring wholesale markets or sometimes directly from the factory and sell in the surrounding villages.
- Mode of transport used is mostly bicycle, but in some cases mopeds are also used.
- These traders are involved both in retailing and semi-wholesaling. Some of them sell door to door while others distribute products to village retailers only. In the latter case, traders also serve retailers in towns that lie en-route to the destined villages.
- The traders generally cover 2-3 villages in a day (depending upon distance between the villages and the size of village). They make repeat visits to the target villages generally every 4-5 days.
- Goods are purchased mostly on cash but in some cases on credit of up to 7 days. The general mode of transaction while selling to customers (individuals or retailers) depends on the investment pattern i.e. it is cash if purchases are made on cash and credit if brought on credit.
- Average sale of mobile trader ranges from Rs. 200/day in case of FMCG products to Rs. 1000/day in case of high price items like bed-sheets and blankets.
- Mobile traders operate on three different models:
  - Margin only
  - Salary + Commission (salary paid by company distributor)
  - Salary only
- Most of these traders deal in a particular commodity like soaps and detergents, blankets, etc. and villagers also associate them with a particular product category. Mobile traders feel that it will be difficult to switch trading from one product category to a new category as they would not enjoy the same goodwill.
- The mobile trade has been restricted to mainly local and spurious brands due to higher margin. And also no company has recognized the potential of this channel till now.

- While rating their profession, mobile traders expressed varied emotions depending on their experiences. Some of them felt that their profession was better than low paying, insecure jobs in private organizations while others felt theirs was a backbreaking effort with low respect and sometimes exposure to harsh treatment by moody villagers.
- Due to the existing practice of mobile traders selling only spurious and local brands, villagers associate them with counterfeits. People who buy genuine brands don't purchase them from mobile trader even if some trader stocks genuine brands, because they suspect the genuineness of the product sold by mobile traders.
- Broadly the villagers can be divided into two segments. One segment, the richer section prefers to purchase company's product. The other, middle and lower class segment mainly purchase local and spurious brands due to cheaper price. Therefore the mobile traders being flooded with local and spurious brands don't find any customers among the richer section of the village who buy company products. This situation seems to present an opportunity to companies to retail their products through mobile traders.
- Stockists recognize the potential of the channel of mobile traders as the product can be reached to remote villages through them. But they are not inclined to sell stocks to mobile traders on credit presently. They don't feel like taking any risk unless a proper system can be institutionalized with company support. Therefore there is a need to build the credibility of the mobile traders if any company wants to adopt this channel by forming them into an association.
- If companies could put this model in place with adequate publicity, customers could be motivated to purchase company brands from mobile traders as these would be available at their doorstep.
- Mobile traders could be motivated to sell company's products, if people demand these from them. Selling company products would enhance their status and also minimise the harassment.

Direct Distribution - Alternative Rural Distribution Strategy

These days, a lot of marketers have started to believe that direct distribution can guarantee them rural success. Although the wholesale channel costs less than direct distribution in rural markets, there is a problem of lack of control over wholesale channel. Wholesale channel will favour brand with higher margins, and may not necessarily support new products. On the other hand, direct distribution, though a higher cost option, allows better control over the quality of distribution.

Given this background, we can draw three conclusions about when higher cost direct distribution is required to service rural markets:

- Direct distribution in rural markets becomes critical as a market share strategy when competitors play the wholesale game equally well/better or are directly reaching rural retail markets;
- Direct distribution also becomes critical if there are a large number of new products specially for the rural markets; and
- Direct distribution is less critical for a market leader with no competition in the immediate future and no new products for the rural markets (Mishra and Gupta, 199, p. 3).

Planning Direct Distribution Initiatives

Planning the rural distribution initiatives involves addressing the issues. First being as to what 'structure' to follow for distribution. Second being with regard to 'population strata' and the markets to go.

Table 10.4: Structural Options

	Direct Distributor	*Van Operations*	*Super-stockist - Sub-stockist*
How it works	Appoint direct stockists in the towns where direct reach in planned and service through company depot/C & FA	Use current stockists in larger town to run van operations which cover the smaller markets (small towns and rural markets)	Instead of servicing small town stockist directly, service through a super stockist, super-stockist buys from company and resells to sub-stockist
Costs	• Standard trade margins • Credit (typically higher than the larger towns) • Freight (typically higher since remote locations)	• Standard trade margins • Van subsidies (to cover the higher cost of distributor coverage)	• Additional trade margins to super-stockists • Freight reimbursement (if additional margins not enough to cover for expenses)
Pros	• Trade loads (margin structure remains unchanged) therefore controls are better	• Does not require substantial change in terms of the distribution system	• Company exposure limited to fewer large parties (credit) • High service levels to sub-stockist (more frequent dispatches, credit, etc.) • Can employ lower cost sales force through super-stockists
Cons	• Huge proliferation of billing parties (high cost of complexity) • Ability of company depot, to service these distributors limited (resulting in high stock levels and fundamental viability issues)	• Van operations fundamentally a distributor system • close monitoring required to ensure coverage and prevalent mis-utilization of subsidies	• Requires very strong controls to prevent dumping in urban markets

(*Contd.*)

(*Table 10.4 contd.*)

	• Managing these smaller distributors requires increase in high cost sales force	• Distributor interest in van market limited (he'll pick and choose markets he can go to)	
Overall rating	• Typically not a sustainable structure	• Higher cost alternative	• Lower cost alternative, ideal if controls can be ensured

[*Source:* **Mishra** and **Gupta,** 1999]

Mishra and Gupta (1999) has suggested following way of planning rural distribution expansion: For the convenience of readers, the same is being reproduced as below :

Structure

Indian FMCG firms with rural experience behind them have typically used three structures - Direct stockist structures, van operations and super stockist structures (see table). Each of these structures need to be evaluated taking three things into account - the fit with the current network, the cost impact of the structure, and the quality and control issues associated with each structure (Ibid, 1999).

The experience of companies like HLL, Dabur and Reckitt and Coleman India Ltd., which have used several structures suggests that the superstockist system may be most appropriate (Ibid, 1999).

Population Strata and Markets

The next step is to plan the population strata and markets where direct distribution can be extended profitably. Meaningfully planning this involves understanding all the cost and revenue implications and taking a time horizon for the initiative to pay back (Ibid, 1999).

The 'Benefit' (Revenues) Side

Since wholesale channels already service rural markets to some extent, extending direct distribution will cause some wholesale volumes to switch to the direct channel. These volumes are not part of the benefit of direct distribution as they would have accrued anyway. The benefit of the direct channel comes from volumes that are incremental to current. These incremental volumes need to be estimated based on the marketing plan and the resultant share gain/category growth (Ibid, 1999).

Example

Expansion & Co. (E&Co.) is trying to expand direct distribution from class III towns to class IV towns. As per ORG data, class IV towns are the company sales of Rs. 27 crore (category sales is Rs. 150 crores) and rural markets are another Rs. 50 crore. The new rural division will have certain volumes diverted from urban wholesale, say 70% of the sales of class IV towns and 50% of rural sales (equals Rs. 44 crore). This is not part of the benefit and should be excluded from the benefit calculation (Ibid, 1999).

The Cost Side: Understanding the split between wholesale and direct distribution in the current network would be critical for assessing the costs. This understanding would need to be in terms of how many markets are serviced by wholesale and what volumes flow through wholesale. What makes the rural distribution initiative a costly affair in the fact that the increased costs of distribution are incurred for the entire rural volume, including the earlier wholesale volumes. Costs incurred as a result of the initiative would include:

People Costs: A distribution expansion programme will require an increase in the manning levels. The number will depend upon the span of control (how large an area will a sales executive cover), the level of control (how many times does he need to visit a market) and the number of markets (Ibid, 1999).

Example

Taking the same example, expansion from class III to class IV towns implies 1,600 new markets to be covered. Let's assume that a market will be visited once a month by the sales executive. Further, in a given day he can cover only one market. Taking 25 working days a month, he can cover only 25 markets. So to manage all the 1,600 markets the E & Co. will require 1,600/25 = 64 new people. Let's assume that E & Co. will require an annual expenditure of Rs. 75,000 per person and a 10 percent managerial overhead (equal Rs. 53 lakh annually) (Ibid, 1999).

If you opt for a sales-force of similar equality as your existing sales force, expect similar salary costs and higher travelling costs. Alternatively, you could look at a lower cost option of having 'distributor salesmen' (Ibid, 1999).

Distribution Costs: These costs could include additional freight costs, super-stockist margins, van operation subsidies, cost of credit etc. Two factors will influence the type of costs and the extent to which the company will have to bear them. The distribution structure: Van operations through existing distributors may require van subsidies while a superstockist-sub stockist structure will require additional trade margins, freight-reimbursements etc. (Ibid, 1999).

Economies of Scale: A large part of these costs are 'fixed' in nature i.e. driven by the market coverage and not the amount of sales in a market. Obviously as through put increases the costs as a proportion of sales come down. So far instance, for large companies, these costs will be substantially lower as a per cent of sales than for a smaller company. And they may be able to manage the system with only two per cent additional margin to the superstockist (including additional freight) while a smaller company may have to give two per cent additional margin and reimbursement freight and extent credit to ensure super-stockist viability (Ibid, 1999).

Example

E & Co. has opted for the super-stockist structure. However, since the volume throughputs are not very large the company has to give two per cent additional margin as well as another one per cent to reimbursement the superstockists freight costs. Further, the superstockist is not willing to bear the complete credit risk and the company will need to extend 2 weeks of credit (at 15 per cent cost of capital that works out to another 0.6 per cent interest cost to company).

The total expansion costs (over the base sales & Distribution costs) for E & Co. are:

People Costs: Rs. 53 lacs p.a.

Additional Superstockist margins: 2 per cent of (Rs. 44 cr. + incremental volumes).

Freight reimbursement: 1 per cent of (Rs. 44 cr. + incremental volumes).

Interest Cost: 0.6 per cent of (Rs. 44 cr. + incremental volumes) (Ibid, 1999).

Making Professional Distribution Work

- Incentives are to be distribution parameters-based and not volumes-based;
- Make it necessary and viable for him to reach out to far-flung and small retailers;
- Constantly seek opportunities to develop retail outlets at new locations;
- Ensure that the net landed cost to the retailer is always lower from the distributor and, therefore, protect the system from the negative influence of big dealers;
- Policy should be to ensure viability of each link in the chain;
- Attitude towards the distributors should be that of dealing with a partner;
- Ensuring adequate ROI to him is the responsibility of the company;
- Empowering the distributor through providing information, systems and training;
- Provide data on retailers/locations;
- Assist in planning efficient logistics management; and
- Train sales personnel (Xavier S. and Swaminathan, 2003, p. 55-56).

Case 1: Mobile Traders

Ogilvy Outreach, a rural and low-income communication arm of O & M has carried out a study on mobile traders in 2000. The findings of the study are as follows:

- Manihars, Bisaties and Banjaras are some of the communities of northern India which are involved in direct marketing in rural areas.
- The mobile traders (cycle salesmen) are the most cost-effective ways of selling directly to rural consumers. The lack of motorable roads and high distribution costs - the big bear of any rural marketer - are not a hindrance anymore.
- There are about 4 lakh mobile traders across India who reach an estimated 8 crore rural homes.
- Mobile traders score over the conventional wholesale channel on both counts of cost and reach. They belong to traditional communities like Banjaras, Bisatis, Bajajis and Kujras, who travel either on foot or on cycles. These traders target smaller villages, whose population is less than 2000, where conventional distribution channels often do not touch.
- Most rural women do not visit retail outlets. Instead, they tend to rely on these mobile traders to sell them their wares in the security of their home. The mobile trader is a link that brings the external world to the women in their own field.
- Cigarette companies like ITC, Godfrey, Philips and regional bidis companies have used cycle salesmen for re-distribution for many years to feed a widely dispersed bunch of small retailers. Prefetti India also used ‘candy boys’ to service small retailers in rural and urban areas.
- There is big challenge to check selling of imitated and duplicate products by mobile traders in the rural areas. Moreover, margins of such fake products are high, ranging between 20-25 per cent and even going up to 100 per cent in some cases.
- IAG Mahima, a Delhi based community platform, has attempted to enroll 4000 traders as members and issued them identity cards. It has data base of 70,000 mobile traders span-

(*Contd.*)

ning the northern states. Such ready data base could make it for easier for consumer product companies to actually piggybank on the network.

- The prospects are high for selling national and branded products in rural areas. The mobile traders can be provided high margins of profit and trained to motivate for selling branded products in rural areas. Mobile traders account for 5-7 per cent sales of Fair & Lovely, Clinic Shampoo, Dabur Oil etc.
- Mobile traders may be provided a display box, a big red branded umbrella, an audio system, cycle etc. for effecting selling of products in remote areas.

Questions

1. Discuss the perspective of the case and analyse the trends in re-distribution of products.
2. Assess the potential role of mobile traders in promotion and selling of consumer products in rural areas.
3. Explain the constraints and challenges being faced by retailers in selecting mobile traders for re-distribution of consumer goods and products.

[*Source:* **Anju Sarkar, Business World,** 17 Sept., 2001.]

Case 2: Mobile Super Markets

Hard selling to the heart of India is not easy. Due to lack of a retail infrastructure to reach deep-pocketed consumer segment and physical market centres, effective exploitation of emerging markets in rural India is becoming challenging one. Delhi based consultancy organization, MART led by Mr. Pradeep Kashyap, carried out a study in 1995, covering a sample of 128 haats and 49 fairs in 30 districts of 10 states of Andhra Pradesh, Bihar, Haryana, Karnataka, Maharashtra, Madhya Pradesh, Orissa, Rajasthan, and Uttar Pradesh. The study has emerged with the following main findings :

- For centuries, on certain days of the week, buyers and sellers in the country's villages have congregated to trade and barter, buy and sell at makeshift markets that spring up overnight and disappear just as suddenly. Requiring little infrastructure and minimum investments and offering high accessibility, these transient bazars have been serving the rural consumer's needs for products and services for a long-time.
- Haats and melas are oldest marketing channels, offering a wide range of products and services to rural consumers clustered around its location.
- Over 47000 haats and 25000 melas are held annually. The average daily sale at a haat is about Rs. 2.25 lakh while average sales at melas amount to Rs. 3,500 crore. Over 10,000 melas draw visitors from all over India. Nearly half the outlets at melas are for manufacture goods.
- 18.4 percent of the melas held every year can be classified as local, serving a few hundred villages. Another 40.8 per cent are regional, attracting buyers and sellers from a few districts or a state. And the remaining 40.8 per cent are national, with participants from several states.
- Fairs are usually conjuncted with a festival at a holy place and have limited commercial value. However, average number of stalls per mela has been reported to be 854.

(*Contd.*)

- Daily sales of between Rs. 21.6 lakh and Rs. 88.3 lakh has been reported in Bihar, Haryana, Maharashtra, Orissa and Rajasthan. The overwhelming majority feel that the products and services available at melas are of good quality and reasonably priced.
- Haats, even temporary markets, play a vital role in the rural economy. They provide a first contact point for villages with the market, an opportunity for buying daily necessities as well as farm supplies and equipment and a place for socio-cultural contact.
- Since most agricultural labourers get their wages once a week, haats are also held on a weekly basis. Sunday markets are the most popular.
- While the average haat caters to customers of 16 villages, nearly 2/3rd of all haats are held at distance of atleast 16 km. from the nearest town. Another 27 per cent are held at distance between 6 km. and 15 km., while only 5 per cent are held within 5 km. of a town.
- Average number of outlets at a haat is 314 while average daily sales are significantly high i.e. Rs. 2.23 lakh. The average purchases per visitor is Rs. 50 while the average sales per outlet is Rs. 874.
- More than 80 per cent of the buyers are regular visitors while 58 per cent visit haats to buy specific products although more than half of them have similar products available in their villages.
- Distribution of stalls and outlet (%)

Table 10.3: Distribution of Retail Outlets

Sl. No.	*Stall/Outlets*	*Fair*	*Haat*
1.	Agricultural products	5.6	39.5
2.	Manufactured goods	42.0	24.3
3.	Processed foods, tea and snakes stalls	19.5	13.2
4.	Minor forest produces	0.1	2.1
5.	Handloom and handicrafts	15.6	8.4
6.	Entertainment	3.8	—
7.	Service outlets	4.8	—
8.	Carpentry & Tailoring	4.2	3.3

[*Source:* **Adite Chatterjee, Business Today,** Oct. 7-11, 1996.]

Questions

1. Analyse the case and suggest suitable promotional strategies for effective exploitation of traditional market centres - haats and fairs.
2. As an effective platform for marketing of products and services, describe the role of fairs and haat in marketing.
3. Suggest policy measures for corporate and retailers for effective exploitation of traditional mobile supermarkets.

Case 3: Marico Industries Ltd.

Marico Industries Ltd. was established in 1990 as the consumer product division was incorporated into a separate company of Bombay Oil Industries Ltd. (BOIL). In September 1990, Marico signed an agreement with BOIL for using its 'Parachute' and 'Saffola' brands. The Company's Initial Public Offering (IPO) was announced in 1996. In July 1999, Marico entered into a three-year alliance with Proctor & Gamble for distributing its 'Oldspice' brand of shaving cream and after shave lotions, 'Pampers' diapers and Ariel detergent soap bars. In March 2000, Marico acquired the jams, sauces and other fruit and vegetable product division from 'Kanmoor Foods'. In 2002-03, Marico acquired a controlling stake in 'Sundari LIC' a US based company, which owned the sundari line of luxury Ayurvedic skin care products. Today Marico has become one of the India's leading FMCG companies and has 12 well known brands under its portfolio- Parachute, Saffola, Sweekar, Hair and Care, Medikar, Oil of Malabar, Revive, Shanti, Kaya, Sundari, Meal maker and SIL. Marico brands occupy the leading position in most of the area product segments that operate under it.

Marico has been operating in the coconut oil, hair oil, anti-lice treatment refined edible oils, and fabric care segments. The company recently entered the skin care segment by setting up Koya Skin Care Clinics in India, and the Sundari range of Ayurvedic skin care products in the US Marico products are also available in the SAARC and middle-east countries and the overseas sales franchise of Marico's brands, which was worth about Rs. 10 million in 2003 is one of the largest among Indian companies. Marico owns manufacturing facilities in Goa, Kanjikode, Jalgaon, Saswad, Pondicherry and Daman in India and operates in Bangladesh through a wholly owned subsidiary, Marico Bangladesh Ltd. In 2003, Marico sold over 4.6 crore packs to around 10 crore people from 1.8 crore households. The company's 17 lacs retail outlets are catered to by its six regional offices, 32 carrying and forwarding agents (CFA's) and about 3,500 distributors and stockists. Marico's distribution network covers almost all Indian cities with a population of 20,000 and above. Importantly, Marico has targeted rural markets and expanded its network in rural areas to exploit the market.

Table 10.4: Distribution Network

Particulars	*Urban*	*Rural*	*Total*
Sales territories	135	35	170
Towns covered ('000')	3.2	11.0	14.2
Distributors	850	0	850
Super Distributors	0	115	115
Stockists	0	2600	2600
Retail outlets - Direct Reach ('000')	320	280	600
Retail outlets - Indirect Reach ('000')	430	670	1100
Total	**750**	**950**	**1,700**

Most of the Marico's products are daily requirements are purchased across all consumer groups, but the company came up with a few innovations to cater to the rural market in India. Firstly, they introduced a small bottle-shaped pack of Parachute hair oil, which cost only Rs. 1. This is particularly targeted at the lower middle class and poor sections of the market, as the

(*Contd.*)

affordable price promoters the usage of the brand. Many local manufacturers used to sell spurious oil in package that was startlingly similar to that of Parachute. The counter this, Parachute introduced a new flip top packaging and jars with lids. They also launched Sweekar and Saffola oils with taps in response to market needs. In order to promote the Saffola brand of oil in the semi-urban and rural areas the company launched a unique advertising campaign in 2002-03. Marico targeted medical practitioners across the towns and provided them with relevant information on the Health benefits of using oil and asked them to endorse the brand. They also launched a website Healthy Khana.com to promote awareness about healthy food options. All these initiatives have enabled Marico to attain market leadership and also enabled the company increase profits from Rs. 357 million in 1999-2000 to Rs. 590 million in 2003-04.
Source: Marketing Mastermind, Dec. 2004.

Questions

1. Explain the marketing strategies of Marico to exploit rural markets.
2. Discuss the success story of Marico in the context of globalization and economic liberalization.

Case 4: Rural Shop

A study was undertaken in selected villages of Ranga Reddy and Adilabad districts of Andhra Pradesh, covering 48 retailers of rural areas. The study shows the following trends:

- Out of total retailers, 58.33 per cent are small, 29.16 per cent medium and 12.50 per cent big shops.
- Most of the retailers get supplies from the nearest town.
- The product lines handled by the rural retailers operating in the villages are very wide and varied.
- More than 63 per cent of the retailers get the product information from the customer. The retailers buys the products and brands according to the customer’s demand. While 58 per cent of retailers observe and take brands information from co-retailers, 50 per cent of retailers observe and take brands information from the suppliers and only 38 per cent from advertisements.
- More than 70 per cent retailers get supplies from big retailers, while 54 per cent retailers get supplies from wholesalers.
- The important factors influencing the selection of suppliers is to credit reasonable prices of goods; variety of goods and others facilities. More than 92 per cent retailers get supplies on the basis of credit and cash both.
- More than 80 per cent use bus as a mode of transportation of purchased goods.
- More than 70 per cent retailers purchase goods on a weekly basis while 25 per cent purchases on a daily basis.
- Majority of the retailers sell goods on cash and credit basis.

Questions

1. Discuss the case and suggest measures for effective re-distribution of consumer goods in rural areas.
2. Analyse the case in the context of recent developments in Indian markets.
   [*Source:* Srinivas Rao, Rural Marketing, National Publishing Corporation, Delhi, 1997.]

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11

Marketing of Services

Besides the 'products' being produced for consumption by rural consumer, several 'services' are also performed by service providers to be availed by them. They are all priced. While traditionally the subject of marketing - management had been studied in the context of products, their distribution and sales, today, "a large number of scholars and practitioners of marketing are of the view that 'marketing of services' should be studied and practiced as a distinct speciality" (Ramaswamy and Namakumari, 2002, p. 649). This newly emerging subject takes into account the unique characteristics of services and their special marketing implications.

In comparison to 'products', a service (1) is performed, (2) involves no ownership transfer, (3) is intangible, (4) is produced and consumed simultaneously, and is inseparable from service provider, (5) varies from person to person providing the service, is accordingly individual oriented, and it's effect varies on when and where is the service provided, (6) can not be stored, (7) consumer participates as a production process, by availing it.

Services marketing process requires, (1) understanding the nature of the service, (2) understanding the customer and his expectation of the service (3) giving a shape to the service (developing the service product), (4) organising delivery systems and creating channels/intermediaries, (5) pricing, (6) promotion, (7) harnessing the special elements of service marketing: people, physical evidence, process, (8) achieving differentiation, (9) measuring service quality, and (10) monitoring satisfaction (Ramaswamy and Namakumari, 2002, p. 654).

Following are the traditional, modern, and new general services available in rural as also in urban areas:

Traditional Services

- Utilities such as electricity and water supply
- Transport services - rail, road, air, etc.
- Communication services - post, telephone, broadcasting, telecasting, etc.
- Educational services
- Legal services
- Accountancy services
- Medical services/hospitals
- Insurance, banking, etc.
- Financial services - stock brokerage, leasing, etc.
- Food, leisure and recreation services - restaurants, hotels

- Catering, fast-food joints, etc.
- Entertaining services - cinema and theatre, clubs and casinos, video game parlours and amusement parks, etc.
- Miscellaneous services such as maintenance and repair
- Beauty parlours
- Distributive trading/retailing

Modern Services

- Travel agency
- Real Estate
- Advertising
- Public relations
- Marketing research
- Physical fitness/health clubs
- Car rental services
- Courier services
- Credit cards

New Generation Services

- Business services
- Recruitment services
- Computer software/solutions
- Computer maintenance
- Management consultancy
- Technical consultancy
- Management training
- Technical training
- Computer training
- Value added telecom services
- Radio paging
- Cellular phone
- Fax
- E-mail
- Internet
- V-Sat
- Video conferencing
- E-commerce

[*Source:* **Ramaswamy** and **Namakumari,** 2002, p. 654.]

SERVICES MARKETING IN RURAL INDIA

Services have enormous potential to be sold in rural India. This could be seen clearly from the ongoing discussions in this chapter. However, to begin with, let us consider the following facts:

- In 2001-02, LIC sold 55 per cent of it's policies in rural India (Kashyap, 2003, p. 6). 6.5 crore individuals in rural India are covered by life insurance policies (Jejurikar, 2003, p. 48).
- Of the two million BSNL mobile phone connections, 50 per cent are in rural (Kashyap, 2003, p. 6). 3.6 HHs have a telephone connection (Jejurikar, 2003, p. 48). Of the 20 million who have signed up for Rediffmail, 60 per cent are from small towns. Of the one lakh who have transacted on Rediff on line shopping site, 50 percent are from small towns (Kashyamp, 2003, p. 6).
- On travel: five lakh people from rural India have gone abroad; 27 per cent of rural India has taken a holiday within the country (Jejurikar, 2003, p. 48).
- 24 million Kisan Credit Cards (KCC) issued in rural areas exceeds the 17.7 million credit plus debit cards issued in urban India (Kashyap, 2003, p. 6).
- Electricity consumption by the agricultural sector has shown a sharp increase from 17.6 per cent of total consumption in 1980-81 to 29.2 per cent in 1999-2000. During the same period, industry share has dropped from 58.4 per cent to 34.8 per cent (Kashyap, 2003, p. 6).

Internet services are still picking up in rural areas. "Several companies are attempting to create virtual 'bazaars' or agri-portals akin to weekly 'mandis'. The most notable virtual 'mandis' are the e-choupal by ITC, India Agriline by EID Parry and Dairy Portal by Amul" (Kashyap, 2003, p. 10). However, the situation is not very rosy in rural India. CEO of a rural-focused telecom and internet company noted: "In this age of the Internet revolution, when I can send a detailed spread-sheet across the globe in seconds, have answers in minutes and a revised output in an hour, there is a large part of rural Bharat that is still struggling at first base.... Any service that can provide tangible benefits in terms of time, money, health or peace of mind has a significant chance of success - that's its power. There is no reason why the service industry that has exploded in urban India cannot do the same in rural India. The demand definitely exists; it is only a fulfilling mechanism that is cost-effective that needs to be put into place to ensure that this demand is fulfilled. The primary bottleneck in this space has been the lack of good quality connectivity. I am not talking of telephone lines, which barely serves the purpose, but good quality Internet connectivity available at every village" (Ponnapa, 2003, p. 18).

Having discussed enormous services marketing potential in rural areas, it is vital to see as to how each of it's specific segment in effected.

(*a*) **Tourism and Travel Services:** Having known that the rural people travel and tour to places, even though for undertaking pilgrimage and Haj, would like to be serviced the best way, the professional way. More realisation, of how the rural places (of historical or religious importance) can be promoted and developed as tourists spots, have led the state governments to look at the villages as revenue earners. Tourism Marketing in Madhya Pradesh is an example of how effectively it has been done (for example see: Sandeep Kumar, 2002). Hotels, motels have started to be developed in rural areas, partly due to this, and partly due to increase in number of road travelers wanting these facilities on highways. The massive plan of the central government to connect at almost all villages by motorable roads, soon, will further boost the potential. The overall situation is rosy from the point of view of developing tourism and travel services marketing in rural India. Growing number of four wheeler car owners in rural India, will support it.

(*b*) **Transportation and Logistics Services:** Transportation in rural areas is largely poor, with the governments not in a position to catch up with the demand Private (passenger, as also freight) transporters are growing in number and quality to encash the opportunity. Other logistic services, such as couriers and other logistic services have enormous opportunities to be marketed. Taking up fresh initiatives for marketing these services in rural areas in a rich area for beginners and is bound to have an advantage in focussing their product and capturing the dominant market share.

(*c*) **Financial Services:** Marketing of insurance services, bank marketing, housing and financial intermediation, portfolio management, factoring services, and mutual funds, are all the various areas that have enormous potential of being marketed as rural services products in India.

Insurance Services Marketing

It is known that LIC sells 55% of its policies in rural India (Kashyap, 2003, p. 6). With the liberalisation of the economy this sector is finally set to open up to private competition. The following tie ups are reported :

Indian Partner	*International Partner*
Alpic Finance	Allianz Holding, Germany
Tata	American Int. Group, US
CK Birla Group	Zwich Insurance, Switz
ICICI	Prudential, UK
Sundaram Finance	Winterthur Insurance, Sw.
Hindustan Times	Commercial Union, UK
Ranbaxy	Cigna, US
HDFC	Standard Life, UK
Bombay Dyeing	General Accident, UK
DCM Shriram	Royal Sun Alliance, UK
Dabur Group	Liberty Mutual Fund, US
Kotak Mahindra	Chubb, US
Godrej	J. Roths Child, UK
Sanmar Group	GIO, Australia
Cholamandalam	Guardian Royal Exchange
S.K. Modi Group	Legal & General, Australia
20th Century Finance	Canada Life
MA Chidambaram	Met Life
Vysya Bank	ING

Fig. 11.1: Partnership in Insurance Sector

[*Source:* **Services Marketing/Ravi Shankar,** Excel Books, New Delhi, 2002, p. 277.]

Most entrants are keen to access financial organisations with strong infrastructure, good customer bases and brand equity.

Bank Marketing

The total marketing function for a bank involves the following :

Market Research - i.e., Identification of customer's financial needs and wants and forecasting and researching future financial market needs and competitor's activities.

Product Development - i.e., appropriate products to meet consumer's financial needs.

Pricing of the service - i.e., promotional activities and distribution system in accordance with the guidelines and rules of the Reserve Bank of India and at the same time looking for opportunities to satisfy the customer's better.

Development Market Orientation - i.e., marketing culture among all the customer-consciousness 'personnel' of the bank through training (Bhatt, 2002).

The banking institutions operating in rural areas will have to include marketing approach as a policy of the bank, if they have to continue surviving. Traditionally, they have not really paid adequate attention to marketing. There is a need for them to keep pace with their competitors by using marketing techniques for business growth.

The housing and financial intermediation, portfolio management services, factoring services, mutual funds services are yet to pick up in rural India. These services when provided with marketing approach included, can be beneficial to customers as also for service providers in many ways.

(*d*) **Information Technology Services Marketing:** The growth of Information Technology (IT) industry is perhaps the fastest of all, slowly picking up in rural areas as well, where it is not uncommon for 'Cybercafes' to be seen used by some villagers. Very broadly, the different categories in which IT marketing can be done are as follows:-

- Application Software;
- Professional Services (both on-site and offshore);
- Systems integration and large turnkey projects;
- Maintenance services which include hardware, software and facilities;
- Education and training;
- Technology oriented application; and
- Software packages (Mahindroo, 2002, p. 355).

Telecom Services and Computer networking services have all enormous opportunities in rural India. Cellular mobile radio, telephone, radio paging, facsimile, videotex, teletex, electronic mail, etc. are being sold to rural folk, without much of modern marketing management inputs.

(*e*) **Media Service Marketing:** Post-independence India has seen enormous growth of media such as print, cinema, radio, television networks. "Television became an obsession with the vast majority. Programmes such as "Mahabharat' and 'Ramayana' were the opium of the masses. Easy access to "filmy' entertainment through video viewing affected the composition of the cinema audience quite significantly" (Bose and Tiwari, 2002, p. 410). Television happens to be the single medium having highest exposure in rural India. This is followed by radio and cinema (Video included). However, exposure to print media is

low literacy rate, language barriers, etc. (excepting in south, especially Kerala). See Table 11.1 below:

Table 11.1: Percentage of Population Exposed to Media

	All India	*North*	*South*	*East*	*West*
Press	27	27	31	27	27
TV	66	78	57	78	56
Radio	43	28	49	57	33
Cinema	27	9	50	17	16
Video	15	17	9	24	10
Any Media*	46	36	71	39	49
Total ('000)	*448606*	*125272*	*104955*	*126881*	*91498*

*Any Media is percentage to total population.
[*Source:* **Bose** and **Tiwari,** 2002, p. 427.]

Radio has an all India exposure level of 43%. Among the available radio channels, the primary channel has the highest listenership on all India basis. Vividh Bharati also has a high listenership. Only in the North the listenership of the primary channel in low. The south has the highest listenership of the primary channel. In the north alone the listenership of Vividh Bharati is higher than the primary channel. The Sri Lanka Broadcasting Corporation has a presence in the listenership with the highest listenership in the south (Bose and Tiwari, 2002, p. 428).

Table 11.2: Radio Listenership

	All India	*North*	*South*	*East*	*West*
Vividh Bharati	64	79	51	78	54
Primary Channel	77	34	92	84	72
Sri Lanka BC	8	4	19	4	1
Any Radio	21	10	35	23	16
Total ('000)	*448606*	*125272*	*104955*	*126881*	*91498*

- All radio as the percentage of total population
- Other data as the percentage of any radio

[*Source:* **Bose** and **Tiwari,** 2002, p. 428.]

Radio has been an effective medium for reaching the rural areas. Orissa and Karnataka have a high listenership of the primary channel (98%). In the north, Punjab has the highest listenership of the primary channel (95%). Whereas, Vividh Bharati has a listenership of 93% in Bihar and 90% in Gujarat (Bose and Tiwari, 2002, p. 428).

Another media option is cinema. The popularity of film stars in South India is reflected by the high exposure levels and high cinema going habits in the south.... The lowest cinema going percentage is in the north. Himachal Pradesh has only 1% of the population as cinemagoers, whereas in Madhya Pradesh it is 4% and in Gujarat it is 6%. In the south, Andhra Pradesh has the highest cinema-going percentage of 43%, Tamil Nadu has 36%, Karnataka 31%, Kerala 23% (Bose and Tiwari, 2002, p. 429).

Table 11.3: Cinema Going Habits

	All India	*North*	*South*	*East*	*West*
Goes to Cinema	13	3	35	7	8
Don't Go	87	97	65	93	92

- All figures as percentage of total population.
- Cinemagoers is defined as a person who goes to cinema atleast once a month.

[*Source:* **Bose** and **Tiwari,** 2002, p. 429.]

Media services marketers have a far more challenging task today than their counterparts in other industries. What makes their task doubly challenging is that the media marketers need to balance and satisfy two sets of buyers - the readers/audience and the advertisers. To succeed, the media marketer has to be a winner on both the fronts. He has to condition the readers to respond to advertisers. There has to be equity between the readers/audience and the advertisement message. This has to be kept in mind while going through media services marketing strategies being practiced by the television as well as the print media (Bose and Tiwari, 2002, p. 411).

(*f*) **Health Services:** In rural India, health services are largely in the control of the governments, whose hospitals, primary health centres, auxiliary mid-wife appointed by the government, are the health service providers. These institutions almost lack the marketing approach. Further, the medical profession, training, and practice, shows lack of managerial and marketing approach, in general.

Some peculiar features of hospitals are given below, which must be kept in mind while discussing them (Harsh Kumar, 2002, pp. 474-475).

1. Hospitals are dominated by professionals registered with the medical council. Therefore, certain peculiarities of their professional colleagues need to be kept in mind.

(*i*) The conflict between the organizational objectives and the objectives of the professional body cannot be ruled out. This is further complicated by the fact that the rewards received for achieving the professional objectives may be greater than those received for obtaining organizational ones.

(*ii*) These professionals work on management activities of the hospitals on a part time basis. Most of the time the work they do is similar to that done by their subordinates.

(*iii*) They often prefer to work independently.

(*iv*) In hospitals, the professional qualities of the doctor and para-medial staff are of primary importance, other considerations being secondary.

(*v*) Promotions are on the criteria, established by the organization, and tend to be time-based. Not much emphasis is paid to effectiveness and efficiency in the working of the hospitals.

(*vi*) The professional medical education lays stress on professional discipline, and does not usually include management education.

(*vii*) Although the leadership job in non-profit organization may require more management skills than professional skills, traditions often require that the manager of such a unit be a professional.

(*viii*) Professionals often tend to give inadequate weight to financial implications of their decisions.

2. Less subject to market forces

Most hospitals established by the government are less subject to market forces for they have a captive population to serve. Profit oriented organizations operate in the market environment and have to survive in the face of competition. Their performance has to be equal, if not better, to the performance of their competitors and their prices have to be sufficiently higher than their costs, to generate profit. In contrast to this, non-profit organizations do not follow the dictates of market demand, but what they consider best. In the absence of market mechanism for allocating resources the managers of different units compete with one another for available resources. In such units there is greater difficulty in relating costs to benefits and measuring performance.

3. It produces intangible services rather than tangible goods

Services cannot be stored; these are perishable. It is not easy to measure quantity of service produced. The quality of service cannot be inspected in advance like that of goods. The literature on control techniques tends to emphasis the production environment, rather than service organization. Examples given for explaining techniques like, standard costs, variance analysis, statistical quality controls, inventory control, etc. do not generally pertain to service organizations as they are less efficient, even though the statistical comparisons are not possible in the absence of data on productivity.

The above discussion is sufficient to suggest that marketing approach to health and hospital services, especially in rural areas is very difficult to apply. Further, our's is a welfare state, where provision of health and hospital services is a deficit activity of the governments. Services in government sector are cheap, but lack in quality. On the other hand, the private sector offers expensive quality services. However, the governments have not to think in terms of marketing so as to compete with private health care sector getting popular even amongst the rural folk.

(*g*) **Education and Extension Services:** Marketing of education is a subject with very wide coverage. Formal education begins at the school age and depending upon the choice, vocation, and circumstances of the pursuant, matures into intermediate and higher levels of learning, ramifying into professional and specialized fields. Apparently, benefits sought from higher and professional or vocational courses are more tangible or measurable in terms of entry qualifications to a chosen profession, certification to enable practicing a profession or relative case of access to a suitable form of livelihood (Kaushik, 2002, p. 564). The marketing implications of service characteristics in the context of education is an interesting area for study.

Education as a service, in (*i*) intangible (impossible to touch, feel, or see), (*ii*) perishable (and can not be stored), and (*iii*) inseparable from the service provider. This makes the service of one (compared to other) as better or inferior and more sought for or less.

7A study in the Indian context, for management education, reveals that some of the criteria applied by students while choosing between institutions were:

(*a*) reputation of the institution;
(*b*) number of applicants keen to enroll in the course;

(*c*) past success rate of placement;
(*d*) faculty expertise;
(*e*) width of specialization offered;
(*f*) infrastructural facilities; and
(*g*) fees

The marketing mix of education services comprises seven Ps. "The traditional 4 Ps concept developed for marketing of products has been conceptually extended by Booms and Bitner (1981) to include three more Ps, i.e., People, Physical Evidence and Process, to explain the marketing elements used for services" (Kaushik, 2002, p. 572). Figures shown below will explain this.

Product	*Price*	*Place*	*Promotion*	*People*	*Physical Evidence*	*Process*
Range, Quality level, Brand name, Warranty, Post transaction services	Level, Discounts, Allowances, Commissions, Payment terms, Consumer's perceived value Quality/Price relationship	Location, Accessibility, Distribution channels, Distribution coverage	Advertising, Personal selling, Sales promotion, Publicity, Public relations	Personal, Training, Discretion, Commitment, Incentives, Appearance, Inter-personal behaviour, Attitudes: Other Customers, Degree of involvement, Customer contact	Environment, Furnishings, Colour, Layout, Noise levels, Facilitating goods, Tangible clues	Policies, Procedures, Mechanisation, Employee discretion, Customer involvement, Flow of activities

Fig. 11.2: Marketing Mix of Services Sector

[*Source:* **B.H. Booms** and **M.J. Bitner, "Marketing Strategies and Organisation Structure for Service firms",** In: J. Donnelly and W.R. George (eds), Marketing of Services, AMA, 1981.

Figure - The Marketing Mix For Services (as shown by Kaushik, 2002, p. 572).

Developing the right marketing mix for marketing of education would mean constantly fashioning and reshaping the components of the mix into the most effective combination at any point of time (Kaushik, 2002, p. 572).

Agricultural Extension Services Marketing

Agricultural technology is developing at a fast pace. The latest developments must reach the farmers without much time lag. The marketers of agro-inputs do support and agricultural extension programme as part of their product promotion policy. However, much of the agricultural extension services are provided by the state and central governments. Indian Council of Agricultural Research (ICAR) and agri-varsities have taken up certain frontline extension activities. Non-governmental organisations (NGOs), voluntary organisations, industry groups, banks and other rural development institutions are also engaged in providing extension services (Shrotriya, 2002, pp. 605-606). Several schemes of agricultural extension services are in operation. However, application of marketing concept to this venture in a novel experience.

(*h*) Social Services Marketing: Social programmes aim at development much of the success of these programmes can be achieved by adoption of marketing approach. "Social marketing" is, thus, becoming increasingly relevant to the developing world.

Social marketing, as the concept evolved, acquired two different dimensions (Luck 1974). One dimension of it related to social responsibilities of marketers mainly in response to consumer advocacy movement and also the pressures of government regulations. In this case the focus is on economic benefits to business and social benefits to society that emerge from the adoption of socially responsible business policies by business organizations (Lazer and Kelley, 1973). This expression was later titled as "Societal Marketing" (Takas 1974). Also, a large number of business organizations support programmes of societal concern like culture - Sangeet Sammelans, sports, athletic meets, car rallies, balloon expeditions; environment - pollution control, deforestation, etc. (Shanker, 2002, p. 622).

The second dimension of social marketing is the applicability of marketing philosophy and principles to the introduction and dissemination of ideas and issues of social significance like road safety by observing traffic rules; controlling child/infant mortality by immunization; better living by family planning, primary education and health care, hygiene and sanitation, etc. The first to propound this aspect was Wiebe (1952) and later the others (Fox & Kotler, 1989), and Kotler & Levy (1969) established this thought. In fact, it was Kotler and Zaltman (1971) who defined "Social Marketing as the design, implementation and control of programmes calculated to influence the acceptability of social ideas and involving considerations of product planning, pricing, communication, distribution and marketing research" (Shanker, 2002, p. 623).

Social Marketing, as a compared to commercial marketing is a process where an idea is sold with an aim to bring about a change in behaviour of the customer (in other words, the target audience). Hence, the results of social marketing are not cognizable. Difference between the two are summarized below:

Commercial Marketing	*Social Marketing*
Felt need and cognizable rewards	Needs not perceived, rewards not seen
Pertains mainly to products	Pertains to ideas, behaviour and practices
Persuasion to make audience buy	Persuasion to make audience learn, adapt and change
Adapt products to audience needs	Adapt audience to large social needs
Buyer, user main audience	Audience: Providers, influences
Price: Cost, tax and margins	Price: Performance cost
Distribution: Wholesaler to retailer	Distribution: Social network
Product: Goods and services	Product: Added value
Competition: Competing brands/substitutes	Competition: Existing behaviour, peer groups and pressure groups
Profit motive	Welfare objective
Talks to people who have money	Talks to needier sections
Success/failure hardly affect society	Major impact on society
Rarely needs to involve government	Must work with government to ensure achievement of national priorities

Fig. 11.3: Difference between Commercial and Social Marketing

[*Source:* **Shanker,** 2002, p. 625].

HERBAL HARDSELL

Herbal products are the new business opportunity. They range turmeric, laoe, brahmi, neem, ginger, goosebery, or tulsi. They are also called as pharmaceuticals, cosmetuticals and nutracentricals. The products are from tiny cough drops, headache, roleons, skin and hair care items to therapies for stress, diabetics and HIV-positives. In 200, modest size bulk drugs company Ozone Pharmaceuticals forays into uncharted herbal skin care. Two years later, its cream scripts a fairy tale success and leaves an indelible, Rs. 30 crore mark on skin care counters. Capsules of powdered herbs from southern major Himalaya Drug Co. are rolling off the shelves and adding at least Rs. 15 crore to the company coffers each year. Soaps, detergents and personal care giant Hindustan Lever Ltd. (HLL) has tied up with Ayurvedic company to create its own herbal brands and space. The herbal scene is too vast and beauty, health and medicine would just be the cream of it. A New Delhi based Ozone Pharmaceuticals set up Ozone Ayurvedics in 2001. Nomarks, its first product, is now a Rs. 30 crore brand in the Rs. 32 crore young subsidiaries. HLL has tied up to work up for itself a whole new lather with Ayush. It tied up with Arya Vaidya Pharmacy of Coimbatore for its expertise and has drawn up big retailing plans for the products. The herbal products market is $ 62 billion globally and is growing at 15-20 per cent a year and the nearly Rs. 3500 crore domestic market. The global consumer as well as the medical fraternity are realising the limitations of the present main-stream health care system. Those who earlier looked at the herbal system as just an alternative are now making it complementary to the mainstream health care system. In India, the Ayurvedic industry is 5000 years old. People ask for alternative medicine like Ayurvedic due to its edge over allopathy in many years, besides its cost effectiveness. An increasing demand for Ayurveda or herbal products has brought in the giants. India's herbal market size is estimated to be Rs. 5000 crore. This is very modest and could be enhanced substantially. There are about 8000 plus manufacturers of whom 7000 have sales of less than Rs. 1 crore a year. Though the laws are not very stringent in the domestic market, the export markets are fraught with stringent regulations, which render exports of difficult.

Marketing is the key problem area for herbal medicines. All agree that for effective marketing, scientific backup is needed. MNC products are now evermore aggressive with their range have significantly scaled up electronic media expands and point of sale push. There has been marked shift by companies towards marketing herbal products across all the categories. Companies, especially those that made early entries in India and abroad. Indian manufacturers have used about 12 others or 1.6 per cent of 7500 herbs or medicinal varieties. Thus, there is vast potential for production, distribution and marketing of herbal products in India (Catalyst, Businessline, Sept., 2, 2004).

Pharma in Rural India

In India, about 75 per cent of health care facilities are concentrated in urban areas where just 27 per cent of the population live while the rest 73 per cent of the inhabitants live in rural areas having access to only one-quarter of the health care facilities. In rural India, too, poor and backward castes have higher levels of marketing and morbidity rates. The communicable diseases and waterborne diseases are more common in rural areas. In India, nearly 70 per cent of all deaths in the rural areas take place due to lack of timely delivery of medicines and

treatment. Modern medicines scarcely reaches 30 per cent of the rural population. Today's $ 6 billion pharmaceutical industry is enjoying a dazzling health for the reason that is able to manufacture and market aggressively a whole range of medicine preparations. It is estimated that Indian pharma industry would rise to about $ 25 billion turn over. Only one-third of India's population has access to modern medicine while about 700 million population are deprived of the access of medicines. The developed countries like UK, and US on an average person spends about 10.6 - 15.3 per cent of their earnings on medicines and health care. In the less developed countris like Kyrgyazstan, people spend about 51.7 per cent on drugs and other health care. In India, an average Indian pays about 82.2 per cent on medicines and health care. Indian rural population is almost twice as large as the total US market. Despite the vastness of this market, it remains a largely untapped area. Dalmia consumer care has experienced successfully with a tobacco free beedi called Vardan. This task would be apparently easier for pharmaceuticals, as they cater to the most essential physiological needs of men who live a healthy life. Though, India's urban health care industry has flourished with a most of private hospitals, nursing homes and dispensaries offering state of the art services for the cash rich urbanities, rural India remains untouched by the change. Rural health care depends primarily on an extrusive network of government run PHC's, CHC's and district hospitals. Besides, there are private medical and health practitioners, nursing homes, dispensaries and hospitals. Moreover, the registered medical practitioners are engaged in providing health care to the rural patients. There are about 10,000 Registered Medical Practitioners, 79448 doctors spread over 6 lakh of villages, RMP, doctors and other government health personnel influence the decision of medicine purchase. Most of the pharma companies target OTC and medical practitioners. OTC market companies major playrs like Ointments and balms (16 per cent), annalists and cold preparations (9 per cent), antiseptic creams (8 per cent) and cough products (4 per cent). MFCG like companies like Dabur, HLL, Himalaya have already enlisted in OTC products markets. They pose tough competition to pure pharma companies who lack extensive distribution network. HLL has already launched a nationwide community dental health programme, which is being endorsed by Pepsident with Indian Medical Association, while Dabur like companies have mobilized rural consumers for purchase of Chawn Prash. Pharma companies in rural India should consider the following points to promote its target reach and brand promotion:

- Price
- Delivery spread
- Availability
- Safety
- Quick relief or cure
- Profit margin and incentives

Importantly, social marketing for the promotion of hygiene, OTC and health care products like cough, cold, diarrhoea, fever, waterborne diseases, infections, balms, syrups, etc. may boost. Innovative marketing methods of pharma companies relate to free camps and social marketing and off course targeting RMP's and government run hospital doctors. The retail reach and doctor reach of various companies vary area to area.

Table 11.4: Retail Outreach

Company	*Retail Reach (%)*	*Doctor Reach (%)*
Glaxo	96.1	88.0
Cipla	85.7	85.0
Ranbaxy	82.4	70.0
Hoechst Mareion Roussel	88.8	68.0
Wockhardt	83.6	60.0
Alembic	82.0	—
Terrent Pharma	56.6	60.0
Lupin Labs	71.4	—
DRL	—	60.0
Nicholas Piramal	—	64.0
Zydus Cadila	—	60.0
Cadila	—	60.0
Wyeth Ledarle	—	65.0
IPCA	—	57.0
Sun Pharma	—	50.0

Source: **Marketing Mastermind,** Dec., 2004.

AGRICULTURAL INSURANCE

Insurance programme for agriculture could be designed for different countries keeping in view the agricultural situation, prevailing socio-economic factors and administrative infrastructure available. Considering crop insurance as a risk management measure for agriculture production, following objectives may be assigned: (*i*) stabilise agricultural production or farmer's income by reducing adverse effects resulting from crop losses due to natural hazards; (*ii*) to encourage farmers to adopt improved technologies which can lead to increased production and more efficient use of inputs/resources; (*iii*) for having better credit rating required for the increased flow of crop loan to farmers. Importantly, in Mauritius storm was the only risk that was covered during the first 27 years of the scheme of crop insurance. In Cyprus the risks covered are hail, rust and drought. The schemes operated in Brazil, Canada, India, Japan, Philippines, Sri Lanka and the USA are of all risk type. According to FAO, most of the schemes are specific peril and multi perils categories. Two aspects of crop insurance with specific perils need special mention: (*i*) there is general opinion that schemes covering specified risks provide much less economic benefits than the all risk type; (*ii*) it may not always be possible to attribute and measure the loss due to the issued perils (Insurance Watch, Dec., 2004).

A large number of crop insurance schemes have developed in the public sector. They are often of multi risk or all risk type. Some of these schemes are linked to agricultural credit. The role of the government can take various forms (Insurance Watch, Dec., 2004):

(*i*) the government bears fully or partly the cost of administration;

(*ii*) the government also shares a part of the indemnity, or pays a part of the premium with a view to ensuring that farmers can afford to buy insurance. Private agricultural insurance has been in existence for many years in the form of hail insurance in Europe, USA, Canada, and Australia.

Private sector insurance has mainly three characteristics: (*i*) coverage of specific risks which are insurable; (*ii*) unsubsidized premium; (*iii*) voluntary insurance. Importantly, there are two main approaches for determination of indemnity in crop insurance: (*i*) individual approach; (*ii*) and the area approach. In India and Philippines crop insurance is compulsory for farmers who borrow from banks and other financial institutions. While in individual approach insured farmers are indemnified on the basis of the average loss experienced by a specified homogenous average that could be a district, a block, or even a village. Interestingly, the objective of agricultural insurance is to stabilise farmers income. The sum of insured coverage is usually based on (*i*) cost of production; (*ii*) a part of he value of yield or (*iii*) the amount of production loan or crop loan. Importantly, the premium rates are based on (*i*) pure risks; (*ii*) administrative cost; (*iii*) contribution to catastrophe reserve; (*iv*) reasonable return.

Crop insurance in India was introduced in 1972 by implementing an experimental scheme for Hybrid-4 cotton in few districts of Gujarat. This scheme was based on individual approach and uniform guaranteed yield was offered to selected farmers. This scheme continued till 1979. General Insurance Corporation introduced a Pilot Crop Insurance Scheme in 1979. This scheme was based on Area Approach. It covered cereals, millets, oil seeds, cotton potato, crops and confirmed to loanee farmers. This scheme was implemented in 13 states till 1984-85 and covered 6.27 lakh farmers for premium of Rs. 196.95 lakh against claims of Rs. 157.05 lakh. For the first time, a Comprehensive Crop Insurance Scheme was introduced in April, 1985 by the Government of India with active participation of state governments. This scheme was optional for the state governments. It was linked to short term crop credit and implementation Homogenous Area Approach. The features of this scheme are (Insurance Watch, Dec. 2004):

(*i*) It covered farmers availing crop loans from financial institutions for growing food crops and oilseeds on compulsory basis.

(*ii*) The premium rates were 2 per cent for cereals and millets and one per cent for pulses and oilseeds. 50 per cent of the premium pay able by small and marginal farmers was subsidized equally by central and state governments.

(*iii*) Premium was claims were shared by central and state government in 2:1 ratio.

(*iv*) The scheme was a multi-agency effort, involving government of India. Deptt. of state governments, Banking Institutions and GIC. This scheme was implemented by 19 states and 3 union territories in one or more crop seasons.

(*v*) The main states which claim insurance include Gujarat (47 per cent), Andhra Pradesh (21 per cent), Maharashtra (9 per cent), and Orissa (8 per cent). Total number of farmers were covered to be 76.17 million while covered area was reported to be 1278.51 million hectares with the sum assured of Rs. 24922 crore. Total insurance charges were in tune of Rs. 402.83 crore with total claim of Rs. 2302.68 crore.

The scheme proved to be a failure due to financially non-viable, predominance of rainfed crops like oilseeds, pulses and millets, coverage of loanee farmers alone, coverage of limited number of crops and extension of important commercial and horticultural crops. Keeping in view, the demands of agricultural insurance, a new crop insurance scheme titled National Agricultural Insurance Scheme (NAIS) was introduced in the country during 1999-2000. The scheme provided greater coverage in terms of farmers, crops and risks. The features of NAIS include:

(*i*) The scheme is available to all farmers, including sharecroppers, tenant farmers, irrespective of size of land holdings.

(*ii*) The scheme is compulsory for loanee farmers and optional for non-loanee farmers.
(*iii*) The sum insured may extend to the value of threshold yield of the area insured.
(*iv*) All the food crops (cereals, millets, pulses, oilseeds) are covered.

NAIS is implemented by 23 states and 2 union territories. During 1999-2000 to 2002-03, 33.82 million farmers have been covered over an area of 52.7 million hectares insuring a sum amounting to Rs. 29129.35 crores. Claims to the tune of about Rs. 3578.07 corres are paid/ payable as against the premium income of Rs. 897.44 crores. Under NAIS, maximum amount of indemnity claims (53 per cent) have gone to state of Gujarat followed by Maharastra, Andhra Pradesh, Madhya Pradesh and Orissa. Among the perils, drought has remained consistently main cause for crop loss and consequently major amount of insurance claims under NAIS are paid. Crop-wise analysis of claims paid shows that highest amount of claims have gone to groundnut crop (37 per cent) followed by paddy (28 per cent) and cotton (14 per cent).

Farm Income Insurance Scheme (FIIS) has been formulated to provide income protection to the farmers by integrating the mechanism of insuring production as well as market risks. The scheme also aims at sustainable production in the agriculture sector, ensuring food and livelihood security, encouraging crop diversification and enhancing the competitiveness of the sector in the context of exports. The main features of the scheme are (Insurance Watch, Dec. 2004):

(*i*) A farmer's production and price risk for the crop produced by him would be protected by ensuring minimum guaranteed income.
(*ii*) An new approach is in National Agricultural Insurance Scheme (NAIS) would be used for actual yield and price measurement of the insured crop. Initially the programme would cover paddy wheat only.
(*iii*) A premium subsidy of 75 per cent is proposed to be given in case of small and marginal farmers and 50 per cent for other farmers.
(*iv*) The scheme would be compulsory for farmers availing seasonal agricultural operations loans from financial institutions and optional for non-loanee farmers.
(*v*) Procurement operation at minimum support price will be withdrawn in the district where FIIS would be implemented. The scheme has been implemented in 21 districts of 13 states in Rabi 2003-04. As per information available, more than 27329 farmers and risk commitment of about Rs. 22 crore are covered so far, under the scheme. The project was whopping coverage of 100 districts in Kharif 2004.

In the private sector, Weather Insurance has drawn the attention the insurance losses due to vagaries of weather i.e. excess rainfall, short fall in rainfall, lack of sun shine, temperature, and humidity variations etc. could be covered on the basis of weather index. Rainfall Insurance had been developed by ICICI -bombard General Insurance Company and has been implemented in some parts of Andhra Pradesh. Importantly, National Agricultural Insurance Schemes are expected to cover all areas and crops, including corporate farming, contact farming projects, organic farming projects, horticultural and high valued commercial crops and expending the vast network involving the rural cooperatives, Panchayats, NGO's, SHG's and other community-based organizations. However, at present the NAIS covers about 12 per cent of farmers and about 10 per cent of area. In the context of globalization and liberalization of Indian agriculture, there is dire need of expending the coverage of agricultural insurance to provide protection against income, yield and produce. Agriculture sector, being dominant

sector of economy in India for masses, crop insurance is one of the means for providing compensation to farmers suffering from serious losses due to climatic factors. Interestingly, annual crop insurance coverage of the farmers in India is about 10 per cent and annual risk commitment is about Rs. 10,000 crore. Thus, strategies need to be evolved to widen the horizon of agricultural insurance in India. There is vast scope for private sector participation in agricultural insurance Even, the multi-national corporations dealing insurance are collaborating Indian Insurance Corporations to exploit the emerging insurance market in rural India. Crop insurance strategies should focus on multi-pronged approach and dimensions, involving all types of agents and actors such as NGO's, Panchayats, voluntary organizations, youth clubs, SHG's rural retailers etc.

CROP INSURANCE SCHEMES

Crops covered in NAIS: The details of participating States/UTs and major crops covered during Kharif & Rabi seasons:

S. No.	*States*	*Crops covered*	
		Kharif (2002)	*Rabi (2002-03)*
1.	Andhra Pradesh	Paddy, Jowar, Bajara, Ragi, Korra, Maize, Black gram, Green gram, Red gram, Groundnut (I), Groundnut (UI), Castor, Sesamum, Sunflower, Sugarcane (Plant), Sugarcane (Ratoon), Cotton (I), Cotton (UI) and Red Chilly	Paddy, Jowar (UI), Maize, Ragi, Black gram, Green gram, Groundnut, Sunflower, Onion and Red chilly.
2.	Assam	Ahu Paddy and Sali Paddy	Boro Paddy, Wheat, Rape & Mustard, Potato an Sugarcane
3.	Bihar	Paddy, Maize, Banana and Red Chilly	Wheat, Lentil, Gram, Red gram, Rape seed & Mustard, Onion, Potato and Sugarcane.
4.	Chhattisgarh	Paddy (I), Paddy (UI), Jowar, Maize, Kodo-kutki, Red Gram, Groundnut, Sesamum and Soyabean	Wheat (), Wheat (UI), Gram, Linseed, Rape & Mustard and Potato.
5.	Goa	Paddy, Groundnut, Pulses, Ragi and Sugarcane	Paddy, Groundnut, Pulses and Sugarcane
6.	Gujarat	Paddy, Jowar, Bajra,. Maize, Black gram, Green gram, Beans, Red gram, Ragi, Castor, Groundnut, Sesamum and Cotton	Wheat (UI), Wheat (I), Gram, Summer Bajra, Summer Groundnut, Rape seed & Mustard and Potato.
7.	Himachal Pradesh	Paddy, Maize and Potato	Wheat and Barley
8.	Jharkhand	Paddy, Maize	Wheat, Gram, Red Gram, Lentil, and Mustard

(*Contd.*)

(*Fig. 11.4 contd.*)

9.	Karnataka	Paddy (I), Paddy (RF), Jowar, Bajra, Maize (I), Maize (RF), Ragi, Red gram, Black gram, Green gram, Groundnut, Soyabean, Sunflower, Cotton (I), Cotton (RF), Sugarcane, Potato an Onion	Paddy, Jowar, Wheat (I), RAgo, Wheat (UI), Sunflower Gram, Safflower, Groundnut, Miaze (I), Blackgram, Greengram, Horsegram, Linseed and Potato
10.	Kerala	Paddy	Rabi Paddy and Summer Paddy, Banana and Tapioca
11.	Madhya Pradesh	Paddy (I), Paddy (UI), Jowar, Bajra, Maize, Kodo-Kutki, Red gram, Groundnut, Soyabean, Sesamum, Cotton, Banana and Chilly	Wheat (UI), Wheat (I), Gram, Linseed, Rape seed & Mustard, Onion and Potato
12.	Maharashtra	Paddy, Jowar, Bajra, Maize, Ragi, Groundnut, Niger, Soyabean, Sesamum, Sunflower, Green gram, Black gram, Red gram, Cotton and Onion	Summer Paddy, Wheat (I), Wheat (UI), Jowar (I), Jowar (UI), Gram, Sunflower, Summer Groundnut, Saf flower and Onion
13.	Meghalaya	Alu Paddy, Sali Paddy, Kharif Potato and Ginger	Boro Paddy, Rape & Mustard and Rabi Potato
14.	Orissa	Paddy, Groundnut, Maize, Redgram, Niger and Cotton	Paddy, Groundnut, Mustard Potato and Sugarcane
15.	Tamil Nadu	Paddy (I), Jowar, Bajra, Ragi, Sesamum, Groundnut, Cotton, Red Gram, Turmeric, Onion and Potato	Paddy (II), Paddy (III), Jowar, Bajra, Ragi, Blackgram, Horsegram, Groundnuit, Cotton (I), Cotton (Rice fallow), Potato, Chilly, Tapioca and Banana
16.	Uttar Pradesh	Paddy, Maize, Blackgram, Red gram, Groundnut, Syabean and Sugarcane	Wheat, Gram, Peas, Mustard and Potato
17.	West Bengal	Aman Paddy and Aus Paddy	Boro Paddy, Wheat, Mustard, and Potato
18.	Pondicherry	Paddy	Paddy (II) and Paddy (III)
19.	A & N Islands	Paddy	No crops are notified
20.	Sikkim	Paddy, Maize, Blackgram, Soyabean and Ragi	Wheat, Rape seed & Mustard, Barely, Urd, Ginger and Potato
21.	Tripura	Aman Paddy and Aus Paddy	Boro Paddy and Potato
22.	Uttaranchal	Not implemented	Wheat
23.	Jammu & Kashmir	Not implemented	Not implemented

Fig. 11.4

The concept of social marketing has been successfully implemented in family welfare/population control programmes, and other social campaigns.

Case 1: Destination India

Services are going to drive India's economic growth in the new millennium, tourism clearly must be on the top of the list. The fact is tourism is already one of the company's largest service industries. With a minuscule 0.38 per cent share in 2000, the industry generated Rs. 14475 crore in foreign exchange and an additional Rs. 95000 crores.

Rajasthan is one of the best marketed states abroad for tourism, but most tourists who visit Rajasthan do not carry a happy impression of their visits. Only a well educated, professionally run tourism industry can counter the ill-effects of tourism crisis. Over the last few years, Rajasthan, the 'Abode of Kings', has been unable to maintain its fairly large share of foreign tourists arrivals in India. It has come down to 25 per cent from 33 per cent. A study shows that the state needs to invest in proper tourism education to produce better professionals who can then harvest the business brought in by marketing effort. Low tourists arrivals are usually attributed to a lack of infrastructure. But lack of information about existing facilities heightens the problems. Moreover, lack of awareness about the culture, history heritage and society those of tourism agents are some of the problems being realized. Rural tourism, eco-tourism, farm tourism, desert tourism,, hill tourism, adventure, wildlife tourism etc. may be promoted through education and training programmes and marketing of tourism products and services.

Questions

1. Suggest a suitable marketing plan for marketing of rural tourism products and services.
2. Discuss the constraints, challenges and problems being faced in tourism industry. How rural tourism can be promoted.
3. Tourism education and training programmes may promote rural tourism. Do you agree? Substantiate your arguments with examples.
   [*Source:* **Ashok Singh, Indian Management,** Vol. 41 (9), Dec. 2002.]

Case 2: Life Insurance Service

Covering life risk, life insurance provides several benefits such as savings, old age protection, loan facilities, income tax relief, children's education, marriage etc. Insurance companies are playing a vital role in mobilizing savings on a large scale and investing them in nation building activities for the socio-economic development of the country. Life Insurance Corporation of India, was established in 1956, and is the only government run life insurance corporation of India. It has a vast network of branches to provide insurance services to people in every hook and corner of India.

LIC has taken several steps to procure business in rural areas. As a first step towards intensive development of business in these areas, and for building up effective organization, development officers were appointed and given executive territories with the responsibility of appointing agents in every specified segment. During 1993-94, rural shares of LIC accounted 45.30 per cent in number of policies and 40 per cent in sum assured. LIC has launched a number of policies, which cater the insurance needs of low income groups. However, it is unable to top effectively the emerging potentials.

(*Contd.*)

Table 11.1: Rural Business of LIC

Year	*Rural Business*		*Percentage of Rural Business*	
	No. of Policies (Lakh)	*Sum Assured (Rs. Crore)*	*Total Business No. of Policies*	*Business Sum Assured*
1982-83	7.33	1037.98	32.86	26.12
1983-84	8.30	1260.24	35.08	28.73
1984-85	9.52	1569.62	35.26	29.20
1985-86	12.27	2176.79	37.34	30.85
1986-87	14.82	2916.04	38.31	32.16
1987-88	18.28	3996.94	38.94	32.14
1988-89	24.12	5818.22	40.34	33.78
1989-90	30.48	8086.35	41.23	34.83
1990-91	36.75	10294.55	42.57	36.58
1991-92	41.27	12439.93	44.67	38.80
1992-93	44.39	14085.03	44.60	39.20
1993-94	48.56	16680.41	45.30	39.90
% Change	562.48	1507.01	12.44	13.78

[*Source:* **Annual Reports of LIC.**]

Questions

1. Analyse the case and suggest a marketing plan.
2. Discuss the marketing mix of insurance in the context of liberalization.
   [*Source:* Samiuddin et al. (ed.), Rural Marketing, National Publishing Corporation, Delhi, 1997.]

Case 3: Ignorant Mothers

Diarrhoea disease kills some 400 young children every day in India. Keeping the problem in mind UNICEF conducted a study in U.P. The study revealed the following facts :

- Mother's usually recognize the disease only when the child has passed four to five loose motion in the course of a day. And she gets concerned enough to act only when the frequency increases to six or seven such motions.
- Rural mother has a strong inclination to seek medical treatment for the child hit by diarrhoea.
- Though a wide array of medicines, pills, and even injections were prescribed only six per cent of the patients received Oral Rehydration Therapy (ORT).
- On an average, mothers spent about Rs. 38 on treatment for a single diarrhea episode.
- Dehydration is more noticed than understood. Even those who perceive loss of fluid believe it to be a case of non-absorption of water that was ingested instead of a net loss of fluids from the body.
- Home based fluids, if promoted, are likely to be accepted by most mothers as a proper response to childhood diarrhoea.

(*Contd.*)

- Mothers have reservations about sugar and salt to certain types of fluids and water, glucose water and rice water, emerged as the flavoured fluids.

Questions

1. Analyse the case and suggest policy imperatives for pharmaceutical companies and the government.
2. Suggest marketing strategy plan for health education among mothers.
   [*Source:* Krishnamacharyulu and Lalita Ramakrishen, Rural Marketing, Pearson Education, Delhi, 2002.]

Case 4: Garden of Healing

Medicines grown in the rural backyards help save money, apart from staving off diseases. Selvi of Tamil Nadu's Sivagangai district is one of 6500 women spread across 6200 villages of Tamil Nadu, Karnataka, Andhra Pradesh, Kerala and Maharashtra trained to convert plants in their backyard into medicine. Selvi like resource persons are reviving traditional folk knowledge of rural herbs to make potions that can cure simple ailments. Through them other village women learn to identify 15 spices of medicinal plants, grow them in their homes and use them to treat common cold, cough, diarrhea, headaches, fever, joint pains and wounds. A revival of the use of plants for primary health care has seen 120000 herbal gardens spring up in rural homes largely in peninsular states. The programmes is being coordinated by Foundation For Revitalization of Local health Traditions, Banglore in collaboration with 19 NGO's, state Forest Departments, community based organizations and research institutions.

In the last 4 years, Selvi alone has helped establish 10,000 home herbal garden in 76 villages of S. Push Block. Now women six villages of Karnataka's Tumkur district, using plants from their own gardens and few ingredients from local shops. This has helped prevention of the malaria. It is estimated that even a single use of the home herbal garden package in a year by the 120000 households would amount to saving Rs. 1.8 crore annually, when the programme was started in Kerala, Karnataka and Tamil Nadu in 1993 , the reach was limited. Two years later, the Government Centre for Development, an NGO based in Sevaiyoor village of Tamil Nadu, decided to work through women Self Help Groups active in micro credit programmes. That worked, and other NGOs adopted the strategy. In Karnataka , the Belgaum Integrated Rural Development Society, an NGO has taken the home herbal garden initiative to 600 schools in its Gokak Taluke. The programme of herbal medicinal plantation is being supported by UNDP and Danish International Development Agency under bilateral agreement with the Ministry of Forests Environments. The UNDP and Global Environmental Facility have now commissioned the Foundation to assist in drawing up a medicinal plants conservation programme in Arunachal Pradesh, Sikkim, Meghalaya, Uttaranchal, Jammu & Kashmir, Himachal Pradesh and Chhattisgarh.

India 4635 ethnic communities including one million folk healers use around 8000 species of medicinal plants. These are rural households with little financial means to buy drugs. The home herbal garden package is the first response to simple ailments. It's economic importance makes conservation of medicinal plants vital. The growing demand for herbal products in the domestic and global market also makes the use of eco-system - specific medicinal plants a livelihood strategy. Over 90 per cent of medicinal plants commercially used are harvested from

(*Contd.*)

the wild in an unsustainable manner. This is one of the reasons for loss of bio-diversity. About 1000 species are under various degrees of threat across the different bio-geographic regions in the country. Out of Rs. 360000 crore global market, the Indian share is pegged at Rs. 2800 crore and growing at 7 per cent annually. Thus, herbal medicinal plantation can be boosted up on commercial lines and marketing of produce to pharmaceutical houses may be ensured through proper marketing plan.

Questions

1. Review the case and suggest a marketing plan for marketing of herbal plants.
2. Analyse the case and discuss the marketing mix of herbal medicinal plants.
3. Explain the scope of revitalization of local health traditions.
   [*Source:* **Rashmi Saxena, The Week,** Nov., 2, 2003.]

Case 5: Mobile Revolution

There has been phenomenon growth in the mobile industry in the last few years. The year 2003-04 witnessed a dramatic increase in the number of mobile users in India. It was largely propelled by decreasing tariffs and entry cost and increasing coverage. Every month, around 2 million mobile wireless customers were added translating into a monthly tele-density increase of 0.2 per cent. It is expected that there would be about 100 million mobile wireless customers by the end of 2005. The growth rate would overtake that of China which has over 250 million mobile phones. The phenomenon growth of the mobile industry in 2003-04 was largely end to the following factors:

- Free incoming call charges announced by the telecom authority from May 2003, leading to substantial reduction in the usage charges for customers.
- Reduction in the tariff plans for local, STD and ISD calls, which made calling through a mobile cheaper than through a landline.
- The entry of CDMA mobile phones, which started as a limited mobility phone, but turned out to be a complete mobile phone.

At present there are about 33.69 million mobile phone holders. It is expected to reach 230 million by December 2008. Even the Reliance, offering the lowest package of Rs. 501 to acquire a mobile connection, added a huge entry of customers, while the number of landline subscribes stagnated at around 43 million, the number of mobile customers has already crossed 44.5 million at the end of October 2004. The optimistic assessment of the mobile market clearly indicates is total potential of only 88 million by December 2005. With the consumption of two mobile per very rich households and one per other households in both urban and rural markets. Thus, the total rural market potential for mobile by December 2005 would be 37.32 million.

The first break through in the mobile industry took place when BSNL entered the mobile scene in November 2002, with large scale presence in small towns and highways, leading to excellent growth of the industry. While most of the private mobile companies offered their service in top cities/towns BSNL was the first to reach out to smaller towns and offer mobile service. Thus, BSNL crossed 4 million subscribers. Presently, BSNL and other mobile operators offer service in around 1600 towns in the country. The dramatic growth of operators like

(*Contd.*)

Airtel, Hutch and Airtel in states like Gujarat, Karnataka, Andhra Pradesh, Punjab, Uttar Pradesh, Tamil Nadu and Maharashtra can be attributed to the network of expansion these operators carried out there. They cover from 150-330 towns in these states, resulting in higher growth every month. As per latest report of TRAI, 75 per cent of mobile owners use the pre-paid system and the rest are in the post-paid/contract segment. This means, over 33 million, out of 44.5 million customers are in pre-paid segment. On an average 30 per cent of the pre-paid customers are in grace and non-active with all operators. This means, around 10 million customers are actually not active and not contributing any avenue to the mobile industry. In essence, only 34.5 million mobile customers are active in the mobile industry. Though mobile operators have extended to over 1600 towns in the country, corresponding distribution expansion for handsets has not taken place. Even top players like Nokia, L.G. and Samsang have distribution restricted to major towns in the country, leading to limited availability of handsets and consequently higher prices. The rural markets do not have any distribution and depend on urban towns.

Questions

1. Discuss the scope and potential of mobile market in rural areas.
2. Explain the marketing mix of Reliance India Mobile in rural areas.
3. Examine the marketing strategies of BSNL to penetrate in smaller towns and rural areas. [*Source:* **Marketing Mastermind,** Jan., 2005.]

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12

Marketing for Social Development

Development is the concern of all-hard-core marketing people as also of those involved in developmental programmes, launched by governments, Non-governmental Voluntary Organisation (NGOs), or Non-Profit Organisations (NPOs). However, profit is the goal of all - commercial or monetary in former case, and social in the later case. Development is all about modifying behaviour of the target population (to be called 'clients' or 'customers' in marketing parlance). It is, therefore, no different a situation so as to do without application of the concepts of marketing. Vieira (2003) made it clear to say that, "a non-profit needs to sell a cause by following the same principles a consumer marketer does". Further he said, "Many year's ago, one land mark article written on marketing was 'Why Can't We Sell Brotherhood Like Soap' ? It made the point that selling causes must follow the same principles as selling consumer goods. There must be a product/service that is needed or wanted by customers. The customers must be identified and segmented. The cause must be positioned for one or different segments. The service must reach the segment through effective distribution and at a price that is appropriate. The communication channel must make the availability of the service known". Such is the importance of marketing in social development, which is unrealised and untapped, as Vieira (2003) noted, "I have also seen funds that have been allocated for public service advertising campaigns being transferred to the purchase of equipment and other hardware".

Developmental programmes are often irritating given the closed minds of their planners...public health work is imperially led by epidemiologists, though the projects themselves are behavioural in substance, being about change in attitude and practice. Social psychologists and pedagogues rein in literacy programmes, though the task usually has much to do with economics and, once again, with people needing to adopt new practice...will a water and sanitation project, or action for better maternal and child healthy, start at square one, even with a certain arrogance in their modesty ("we are starting from basics!" 'We will learn as we go!"). It is as if nothing had been tried before in the field, or there was nowhere else from which anything is to be learned. Which of course is non-sense. Reproductive Child Health (RCH) programmes - one, family planning - have dropped the 'target-based' approach. There has been a 'paradigm shift'. But in these polysyllables rooted in Greek, and perhaps still hovering in that language for some, lies the need for straight forward demand creation. For that, the required ideas and strategies must surely come from commerce, not the medical science. It is intriguing that here, as in similar fields, marketing methods do not beat at the heart of development programme planning (Da Cunha, 2001).

MARKETING CONSIDERATIONS

The classic considerations of marketing are consumer, product, competition, price, promotion and distribution. Da Cunha (2001) discussed each of these in context with social marketing in development, as under:

Consumer: Marketing begins and ends not, as you would imagine, with profit but with the consumer - on whom in fact profit terms, if she/he is creatively addressed by the product and promotion. Therefore, much study of the potential consumer, his/her needs, perceptions, demographics and exposure to communication precedes any marketing decisions. Not so in social change. Here, what the project wants the citizen to know/do/believe is primary and the starting point. The marketing stance is humbler. It does not ask questions already sure of the answer ('Nutrition problems ? Let's tell them about the balanced diet'.). This is it's people - centred characteristic, hence it's social relevance.

Product: Creating new consumer behaviour, the heart of marketing leads at once to consideration of the product. In development projects, individuals/communities need appealing 'products' to adopt, not a set of instructions and ominous warnings. People buy benefit. A creation confection of facts is necessary, of the kind that transfigures lumps of sodium stearite into desired tablets of soaps, milled, perfumed, pastel-hurd. Thus, target groups in family welfare must be sold not the 'small family norm' but the better health smaller families enjoy. The idea of such health must be crafted from elements valued by target families, then used to package a desired practice.

In growth monitoring of infants and it's promotion, the product to be marketed cannot be baby's growth chart, or the scales, as happens so often. It could only be 'healthy growth', something momentous for mothers. Such considerations are important because the perceived benefit of a product (say, a particular practice) must always be greater than perceived 'cost'.

Price/Cost: In the market place, price is obviously the money transacted. In development, it is an element of sacrifice: the extra time and/or new effort involved in a new behaviour, or the peer group disapproval that the innovator must endure. Many practices thought to be beneficial or free are not in fact so, and are 'costly'.

Breast milk does not come free. A mother pays a performance price in many different ways, from dealing with sore nipples and often disgruntled husband, to coping with deep-seated feelings of inadequacy, subsequently transferred to her perception of the quality of her breast milk. Many communities prefer the 'sweet' water of the old contaminated pond ('better for cooking') to the salty water of the handpump. Unless the social cost of new behaviour is recognized, not enough will go into enhancing the value and appeal of the breast feeding practice, or the value of safe water from the handpump.

COMMUNICATION AND PROMOTION

Indispensable to creating demand and adding value to a brand, advertising is commercial mass persuasion. The advertising plan identifies who shall be addressed, with what messages, through which channels, to what purpose. Advertising is the centrepiece of promotion in marketing. Properly handled it can make an enormous difference in development programmes because it is a prime instrument of persuasion, indispensable to the behaviour change action that most of them demand.

Distribution: Frequently neglected in social programmes, but always planned by the social marketer, is distribution. In health or Family Welfare, clinics are the distribution outlets of products, which may be three-dimensional or messages. Neglecting them, or allowing staff to stay untrained, or routinely absent, is as absurd as manufacturing a product, advertising it and then allowing the shops to go un-stocked. Yet this is the constant reality.

Competition: Competition is regularly and fatally disregarded in the behavioural change transaction. It is always present as the other options available to, say, the housewife whom we would like to see at the immunization post. She may succumb instead to competing domestic demands or, strongest of all, the inertia of past (non) practice. Such competition adds to performance cost. It's power emphasizes a new the importance of enhancing the competitive 'product appeal' of the practices we are promoting.

CORPORATE SOCIAL RESPONSIBILITY

The subject of corporate social responsibility (CSR) has risen to the top on the agenda of policymakers, managers and social activists in recent times. One motivation for it is the emerging legislation on corporate governance, compulsory minimum number of non-executive directors, and disclosure of far more details of the operations and finances of an enterprise, including quarterly and segmental reporting. The European Multi-stakeholders Forum (EMS), an out growth of the 2000 Lisbon Summit, where the European Council first pushed for the adoption of CSR principles by business, adopted this in its final report on corporate street responsibility. The critical issues in the lively debate on CSR would be around the definition of the boundaries on the extent of the activities, the metrics for evaluation or setting standards, as well as the scope and limitation for voluntary action through a management initiative (Praxis, Dec. 2004). The fact is that discharging social responsibilities beyond and outside the business processes involved directly in the operations adds significantly to costs.

It would be no exaggeration to say that for the sense of responsibility of some industrial groups such as the Tatas, the country could not have seen the strides that has made in many areas. It is now well documented that JRD Tata was personally enthusiastic about all aspects of labour welfare, including family planning in pre-independence India, long before all these became part of the Directors need of the state. The Group introduced a notion of minimum wage, provident fund, insurance, old-age pensions, housing, health, education, spurn in shot, just about everything a citizen could expect from a civilized society.

Premjee Foundation (Wipro) has choosen the backward region of North-east Karnataka to kick off the pilot phase of the Learning Guarantee Programme. The Foundation is working in partnership with the government of Karnataka and Andhra Pradesh. The Foundation has outlined some critical factors, fulfilling which will get the schools the winning tag:

- 100 per cent enrolment of all children in the habitation in the 6-11 age group, as per the child census survey of 2002.
- 90 per cent of all children enrolled in class I to V must attend schol on at least 70 per cent of the school working days during the academic year.
- In addition to this, is the critical test concerning learning achievement of the children. Out of 9270 government primary and higher primary schools in the region, 1888 schools have participated in the three-year programme.

About half of the participating schools took up the challenge of evaluation in the first yar itself and 40 schools won the LGP award. Among the 911 who assessed individually, nearly 12 per cent were miners.

Ambuja Foundation (Gujarat Ambuja Cement Ltd.) has initiated project in Sourastra region of Gujarat to help villagers in the vicinity of the company's cement plant at Ko dinar in generating livelihood , natural resource management an community development. The Foundation has helped in the construction of as many as 94 water harvesting structure that include 49 check dams, 15 waste weirs and a most of other structures such as culverts, cause ways and percolation tanks.

Parikrama Humanity Foundation is working for holistic development on the marginalized sections of society in Bangalore. The Foundation has three schools catering to 450 children and close with 15 communities and indirectly with about 1.80 lakh people. Tata Steel uses its skills and resources to give back to the community a fair share of the product of its efforts. The company's commitment in this regard finds reflection in 45 Articles of Association, adoption of the Corporate Citizenship Index, Tata Business Excellence Model and the Tata Index for sustainable development. Tata steel is among the few Indian companies to be invited to join the UN sponsored Global Compact Forum. Today, Tata Steel's CSR initiatives are spread across diverse areas such as environmental management, employee relations, economic development, civic amenities, and community services, population management, sports and adventure, health care, response to natural calamities, education, arts and culture and social welfare. Tata Steel supports various social welfare organizations. These include Tata Steel Rural Development Society, Tribal Cultural Society, Tata Steel Foundation for Family Initiatives, National Association for the Blind, Meherbai Tata Memorial Cancer Hospital, Shishu Niketan School of Hope, Centre for Hearing Impaired Children and the Indian Red Cross Society, East Singhbhoomi.

INTEL, a US based corporation is managing to build a synergy between growing its business and spreading computer education amongst communities. For the spread of computer education alone, the company spends as much s $ 100 million every year. According to industry estimates in India, its investments into community reach would have been in excess of $ 8 million in the last four years. INTEL, first and foremost, to expose that larger population to the use of the computer may it be in the classroom, in the community, in higher, secondary and primary education. For this INTEL uses a multi-pronged approach involving premier institutions, governments, universities; interacting at the policy level and reaching out to potential consumers as well as marginalized groups. So far, mor than 200 faculty members from 100 colleges have attended INTEL's curriculum development workshops. The INTEL International Science and Engineering Fair is the world's largest pre-college science competition and has students from over 40 countries competing. Importantly, school dropouts as well as those from less privileged schools have access to high tech. equipment, mentoring and instruction in Intel Computer Club Houses.

Canara Bank established K.P.T. Prabhu Artisans Training Production & Marketing Centre under the Canara Bank near Bangalore in Karnataka. The Centre is imparting training to local artisans for share crafting. There are 11 other institutions spread across Karnataka and Kerala that Bank has set up to promote IT skills, vocational training and courses for women and the backward classes. The Bank spends on its CSR initiative in the range of Rs. 8 crore to Rs. 10 crore a year.

BATF, Bangalore Agenda Task Force is one such example that was tried by the previous Chief Minister of Karnataka Shri S.M. Krishna. It was set up through a Government Order in 1999 with a mandate to help maker Bangalore a World Class city. Nandan Nilekani, Inforys, CEO was appointed the Chairman of BATF and there are 14 other members in the Task Force who were eminent citizens and professionals with background in engineering, architecture, finance, marketing, public policy and the like. The achievement of BATF include (*i*) tax collection grew from Rs. 100 crore to Rs. 200 crore within a four years as a result of citizen friendly self assessment scheme; (*ii*) Bangalore Development Authority become firmly vibrant and developed quality city infrastructure; (*iii*) Bangalore Police created professional innovative solutions to address the city's traffic problems; (*iv*) Public sanitation measures through 23 clean public toilet were built with public private contribution; (*v*) City beautification measures through standards bus shelters, road signages and adopt a park scheme of the BCC were taken.

Swanithan Trust was started by Sundaram Clayton Ltd. and TVS Motor Company Ltd. It is working for forest management, income generation, vermi-composting technology and improving the socio-economic conditions of poor communities in Tamil Nadu. Interestingly, Trust itself employees 45 people, 35 of women are on the rolls of TVS Motor and salaries paid by the company.

Datamation Development Foundation, started by Mr. Chetan Sharma, has initiated programmes for upliftment and empowerment of workers engaged in unorganized sectors of Lucknow, Kanpur, Seelampur area of Delhi. The organization is equally committed for the development and promotion of chikan craft through initiating ICT enabled services and extending liasoning services. Through its portals, the organization is working for reducing mortality rates among children, foetal deaths during pregnancy check ups, improving nutritional status etc.

Case 1: Indian Environmental Marketing

Increasing world consciousness towards "Green House Effect", depletion of forest cover, increasing environmental consciousness and awareness has given rise to several public movements against environmental degradation. Interestingly enough, most of the initial movements owe their existence to women and indigenous people. When in 1972, an international conference was going on in Stockholm, Chipko Movement was in full swing back home in Himalayas. Later Appico, Tehru Dam project, Narmada Sagar Projects, Birth of Green Party, Konkan Railway, East Coast Road, Chilka Lake, Ganga Action Plan etc. scheme led to the birth of several activities and movements for environmental preservation. Most of these issues were raised by women, especially hilly women who raised and sustained these issues related to nature, depletion of forest leading to land-sliding, drying up of water sources, shortage of fodder and fuel etc. It will be pertinent to mention that while in the west most of the environmental issues and movements were raised by the middle class, it was tribals, women and poor who participated in such movements in India and evolve it as a major ecological movement.

The struggles against big dams and other developmental projects have created major conflicts and generated informed ecological debate in India. These movements have evolved and generated all the issues related to justice to the displaced persons, the design of dam and all the environmental problems leading to destruction of forests, damage of wild life and rare

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species, silting etc. It is also evident from the fact that roughly three-fourths of displaced persons by developmental projects are being left out from rehabilitation and again rehabilitation of displaced lead to destruction of forests. A conservative estimate of persons displaced by various projects has simply demonstrated that 155.00 lakh persons were displaced upto 1989-90 and only 39.50 lakh persons were rehabilitated. Around 70 per cent displaced persons were from dams and canals while industries constituted roughly 7 per cent. Similarly another study, conducted by Environmental Appraisal Committee (EAC) of the Ministry of Environment and Forests reveals that nearly 87 per cent of 212 river valley projects in India have failed to comply with environmental safeguards that were supposed to maintain.

Urban India today presents very pathetic scene since cities have become a pile of rotting garbage, degrading drainage system and shocking system of night soil removal. Besides, the poor also have practically no access to covered toilets and in many towns/cities, the majority of poor people have to defecate in the open. The untreated sewage being dumped into nearest water body leads to potential victims of health hazards, apart from the fact that industries are disposing off hazardous effluents in the rivers, becoming open sewers with not a trace of aquatic life left in them. Therefore, it is rightly observed that most of the Indian rivers are dying. It has been estimated that on an average 350 grams solid waste per day per capita is generated. In the cities its quantity is 450 grams and increases upto 850 grams in case of metros. In the major cities (Delhi, Calcutta, Bombay, Bangalore, Madras, Lucknow, Ahmedabad and Surat), 23,235 tones of garbage is generated daily and roughly 77 per cent is collected. Similarly in the mentioned cities, 5,996 million liter of sewage is generated daily, against this 75 per cent sewage is collected. A recent study made by the Central Pollution Control Board shows that of the 212 class I cities, only 71 cities have waste water collection facilities. Even in these cities, only 64 per cent of the population is covered by sewage facilities. The waste water generated in all the class I cities comes to about 12,145 million liters per day. Of this, only 2,633 million liter of waste water is collected. The situation is worse in Class II towns, only 19 towns have waste water collection systems. So one of the major challenges which have to handle is urban environmental quality. Similarly in the changing business environment, industries are also facing difficulties since court orders have forced to close down several tanneries in West Bengal, Tamil Nadu and Uttar Pradesh. These tanneries were advised to establish eco-friendly technology i.e. recycling plant/waste water treatment plant. Apart from the fact, several other industries were also closed down since they could not establish eco-friendly technologies. It is worth mentioning that chemical industries are producing toxic chemical effluents. Their effects on human include, cancer, renal failure, reproductive and developmental impairment, lever damage, neurological impairment and many other health problems.

The exhaust emission from automobiles is a major source of air pollution (40 to 70 per cent depending on cities) in large cities. Much of the un-burnt carbon in the exhaust can be reduced by improving combustion chamber design. During 1994-95, more than three million vehicles were reported and two wheeler accounted more than 77 per cent while commercial vehicles were reported to be 12.9 per cent only. During the year, 25 million total registered vehicles were reported and among them 68 per cent were two wheelers. A conservative estimate suggests that roughly 43,000 tons of emission is generated per day by 32 million total vehicles on roads. It will cross 60,000 tons per day emission of gases by 2001. If control strategies are adopted, this emission-level may be reduced upto 20 percent. The possibility of using hydrogen in future, automobile engines offers a sound promise of drastically cutting down the emission levels besides solving present fuel crisis. Solar powered or battery operated cars/vehicles are other

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attractive alternatives. However, the success of this depends upon achieving the desired technological innovations and its breakthrough. Environmental degradation can be largely checked and controlled if concerted efforts are made in improving energy efficiency of currently used energy producing and energy consuming devices; development of renewable of deforestation and producing social forestry/afforestation, recycling industrial and municipal waste, installation of package effluent treatment plant, reducing dependence on fossil fuels and development of alternative fuels and promoting of eco-friendly other technologies.

In the agriculture sector, where assumptions and market imperfections have left substantially unmet the potential for realising economic and environmental benefits. A recent study conducted by EPA and University of Missouri indicates that when compared to conventional systems of farming, cropping systems, that incorporate reduced tillage, greater cropping diversion and more efficient management of commercial pesticides and fertilizers can improve resources conservation, reduce environmental risks, reduce costs of production and increase short run profits. In this context biofertilizers and biopesticides and over all bio energy resources have economic and environmental benefits. It is estimated that India potentially produces more than 1038.60 million tons of biomass (roughly 40 per cent is found to be surplus) especially from crop residues per annum that can provide substitute for energy demand in the rural areas and energy conversion technological devices are established and power plants run on available biomass are maintained through sustained supply of raw materials. Similarly plantation of energy crops may potentially provide environmental and economic benefits. Apart from the fact that alcohol crops, oil plants are providing substitute of commercial source of energy as well as a major source of energy consumed.

Environmental and economic interdependence is strongly linked to the development and diffusion of technology. For sustainable development and environment protection, clean technologies and management practices have a significant role to play as liberalization of economy and institutional reforms that encourages consumerism. However, demand for environmental goods and services, or for a clean environment has become increasingly effective. Moreover, we want to provide incentives to the industries to target its capital investments in manufacturing practices and processes and also to install recycling of waste plant or eco-friendly technologies that are sustainable over the long-term. In this way, we can realise environmental and economical benefits from these established technologies. Similarly development and diffusion of environmentally sound technologies may change the way in which goods and services are produced and also generate benefits that can improve the quality of life. In addition, environmentally-friendly has become an effective marketing tool across all sectors, industries and services, a tool that recognises consumer performances for products that have comparatively little harmful impact on the environment. It is worth mentioning that establishing of recycling of material, (garbage, sewage, industrial waste, used consumer products etc.) potentially may generate additional jobs, resources and a substantial increase in gross state product/gross national product.

There has been a growing awareness in developing countries, especially in India of the fragility of the environment and the need to protect the nature resources, that earlier generation had taken for granted; clear air, clean water, unspoiled earth and a self-renewable eco-system. Non-government organization are not lagging behind to educate the public and to lobby government to take appropriate actions to protect the environment. Non-government organizations in India are forcing political system to adopt eco-friendly policies. Apart from the fact that they are educating, mobilising and promoting eco-friendly technological devices as well as safe disposal of waste, garbage, sewage and industrial waste.

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Marketers responded to this emerging marketing opportunities to target eco-friendly concerned consumers by redesigning products and packaging, either voluntarily or in response to public demand and they are prompt to improve on package and even in advertising strategies; by not only producing green products but also green marketing i.e. promoting of comparatively less harmful, easy and safe disposal of packaging after use of product. For example egg shell packaging made of paperboard is less harmful rather than plastic packaging that generate comparatively higher emission when it is burnt. A number of engineering companies have agreed to develop recycling and air quality guidelines. Similarly, many advertising agencies/ companies are engaged in promoting environmental advertising under the auspices of social advertising.

A number of advertisers claim that their products or packages were recyclable. However, recycling programmes should be made more convenient for consumers, and that local recycling programmes need better organization and operation. It is also stressed the need for better consumer information as to how to recycle. Moreover, corporate (companies) are needed to install recycling plants that can be operated on community basis through promoting of voluntary action. Clearly, there is need for public policy-makers to erect appropriate and effective laws and suggestions to protect the environment. It is welcome sign that several consumer protection agencies have emerged to provide better consumer education and promotion of environmentally-friendly business deal.

There will be nine times more vehicles on the roads in 2001 than in 1991, study conducted by Tata Energy Research Institute reveals that total emission of carbon monoxide and hydro carbons will go up by seven and nine times respectively. All other major products will increase five times. Since there will be a boom for the two wheelers in India. However, auto experts have opined that engine modifications alone can reduce 70 to 90 per cent of auto emission while proper maintenance and improving fueled quality may further reduce emission levels to a significant level. Similarly, shifting industries from river banks and effective checking of establishing chemical and hazardous waste disposal-based industries on river banks may check effectively water pollution especially our river system. Not to mention the fact that improved and maintained community-based toilets will provide better sanitation facilities that also check open defecation on river banks, and also flowing of sewage into the rivers. Apart from the fact that cities must look at innovative methods of treating wastes with low cost technology and cost-effectiveness. No doubt constituting River Basin Authority, like Gomti Action Plan, Ganga Action Plan etc., may decide on water flows and necessary measures to be adopted to dilute pollutants.

As we witnessed that excessive pollutants which apart from affecting man, degrade the environment in which he lives, most of these effects are found to be irreversible. To solve these self-created problems new innovative and effective solutions are envisaged, however, effective implantation of these solutions/environmental regulations is still found to be limited. Apart from ascertaining the economic or financial viability also needs to be assessed. Therefore, eco-friendly projects and business or even technologies with a green face are needed to be envisaged by the corporate, although such type of economic activity has very marginal profit or reduces project margins to a greater extent. However, it should be the mandatory duty of organisations rather superficial exercise for the organizations to promote environmental marketing. With the increasing environmental consciousness, customer of the future will be more educated and more aware, demanding far more eco-friendly products and services. This would result in environmental issues comparatively higher on the corporations' priorities and considerations. This would also help consumer of the future to select competing products between economically-viable and environmentally-viable products. Thus environmental consciousness

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would be the competitive edge of business in the fast growing business environment in the country.

Questions

1. Examine the main issues of case.
2. Explain the prospects of marketing of eco-friendly products.
3. Suggest a suitable plan for environmental education.

Case 2: Dr. Reddy's Foundation for Human & Social Development

K. Anji Reddy, the pharmaceutical entrepreneur who helped place India on the global drug research map through Dr. Reddy's Laboratories. But there is another Anji Reddy, a social entrepreneur and promoter of another research based institution, Dr. Reddy's Foundation For Human Social Development (DRF). DRF's flagship social programmes - called CAP, for Child & Police Project, and LABS, for Livelihood Advancement, Business School - have not only created several thousands beneficiaries among deprived children and youth, but also catalysed strong stakeholder involvement spanning government schools, the police, parents, the community at large, volunteers and donors. CAP is a programme that aims to rehabilitate child labourers, especially those who work in hazardous professions, in mainstream government schools. The police tend a helping hand. LABS is an alternative training programme for disadvantaged young people (aged 17-25), especially those who tend to drop out of school or have difficulties with traditional learning systems. Most programmes are focused on the urban poor and centre around Hyderabad and Rangareddy districts of Andhra Pradesh. The key strategies of DRF programmes include: (*i*) public private partnership; (*ii*) stakeholder's participation; (*iii*) monitoring of the disadvantaged; (*iv*) community based management; (*v*) involvement of bureaucracy; (*vi*) social patenting of successful practices for replication and scaling up. Human resources are a non-profits greatest assets. They need to be physically, intellectually, emotionally and ethically ready to meet the emerging challenges, said Anji Reddy. The foundation believes in allowing a learning climate.

Questions

1. Review the strategies of DRF for achieving social goals of education, health and empowerment of poor through marketing of social development programmes in rural areas.
2. Suggest an innovative marketing plan for promotion of health campaign in rural Uttar Pradesh.
3. Evolve out strategies for imparting development functionaries of a NGO's in U.P. for launching a health programme.
   [*Source:* **Balram Reddy, Indian Management,** Vol. 42 (7), July, 2003.]

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13

Rural Retailing

The world economic scenario has undergone a metamorphic change. There are several forces, which are moving the world towards a single economy. Advances in transport and communications and the technology revolution have reshaped competition, helped reduce costs, improved production methods and make products available for world-wide distribution. Importantly, liberalization of restrictions on capital movements, deregulation of domestic capital markets are further integrating global financial markets and services. With the liberalization, privatization and globalization of economy, competition has increased and it has changed the business environment, which now requires business re-engineering. Significantly, with the flood of foreign brands of products and services, Indian brands are facing a serious challenge to survive. The corporates are forced to redesign their marketing strategies for effective marketing and penetration. The Indian rural markets, about 12 per cent of the world consumers and 126 million households, present huge potential for marketing of products and services. For the marketing of products and services in rural India, there is a wide network of village shops, haats and fairs, and regulated markets. Again, traditional markets such as haats, fairs, mobile hawkers, etc., are proved to be potential marketing centres with high commercial value. The internet and electronic sources are also widely used for promotion of brands and their effective distribution in rural markets. Significantly, recent trends in rural retailing show positive indicators and scope for new brands and products as far as penetration and distribution of goods and services in rural areas are concerned. Against this view point, present paper purports to review the dynamics of rural marketing, emerging trends in rural retailing, analyzing the perspective and issues in the context of changed business environment and new policy regime.

GROWTH OF RURAL MARKETS

Fast pace of technological advancement has revolutionized almost every sphere of social, economic, political and cultural life all across the world. Consequent drastic changes are visible in the way we produce, reduce cost of production and marketing, distribute the produced goods, and expect higher profits. The focus is on tapping the unexplored markets. Rural markets, termed as Sleeping Giant, re-presents 12 per cent of the world's consumers or 126 million households. Purchasing power exists. Between 30 to 50 per cent of the consumption of a number of consumer goods comes from rural India (Singh and Pandey, in Press). As per projections of NCAER the number of middle and high-income households in rural India is expected to grow from 80 million to 111 million by 2007. The absolute size of rural market is expected to double than of urban India. Importantly, the size of rural consumers belonging to

very rich class, consumer class and climbing class is expected to double while the proportion of consumers belonging to aspirant class and destitute class is expected to decrease significantly over the period of 2001-02 to 2006-07.

The growth of rural market has been reported to be higher than the growth of urban market in India during the economic reforms period. However, during 1997-98 to 1998-99, growth of financed purchases of white goods has been found negative.

Besides advancements in retail financing, there have been other factors governing rural-urban differential in product penetrations. Lack of the spread of the electricity is the single most important factor; the other factors include income disparity and life style etc. The size of rural market of FMCGs has been reported to be significant, against the market size in 2001-02. It is expected that by the year 2006-07, the size of rural market for FMCGs will increase to two to three folds.

During 1992-99, the growth of market size of FMCGs has been reported low in rural areas as compared to growth rate of urban areas, however, the size of rural market for FMCGs has grown significantly.

The total size is approximately Rs. 1,08,000 crore. FMCGs alone constitute 46.30 per cent share while agricultural inputs accounted for 41.67 per cent share while the size of durables (4.63 per cent) and automobiles (7.41 per cent) has been reported to be low.

Most of the companies have small rural share in the total sales. HLL, Toyata and Colgate like companies account for about half of the sales coming from rural India. The penetration of consumables has grown while there is no blind loyalty for most of the products which demonstrate high potential for new products and brands.

Data shows that rural share in the total purchases during the early 1990s has been excellent. Out of total purchases, the rural share has been more than half for the products like cigarettes, toilet soaps, bicycles, radio, transistors, mechanical wrist watch, black & white television, cassettes recorders, pressure cookers, moped, motorcycle, electric fan, batteries, iodized salt, safety razor blades, tea, washing cakes/bars etc. Importantly, the growth of ownership of durables in rural area has shown market boom during 1994-95 to 2001-02 and it is expected to grow further in 2006-07.

There has been drastic shift in market share of durables in rural India. The share of high priced products has grown gradually over the period.

Accessing rural markets presents a challenge to the marketer as these markets are geographically spread out with a large number of retail outlets. There are 6.27 lakh villages and a number of small towns in India. The rural retail system is, therefore, the predominant mechanism to reach and service the rural consumers. This is achieved by a system of more than 9 million retail outlets. The tasks before the market are (i) to ensure that the product reaches the rural retail outlet, and (ii) to motivate the retailer in rural markets to stock a product or a brand. This can be done by understanding and handling various influences on distribution. The following are important influences on distribution to rural markets:

1. Purchase behaviour of consumers;
2. Characteristics of retailers; and
3. Behaviour of the channel.

Importantly, *haats* and fairs, held regularly, provide unique opportunity for the marketers to access the rural consumers. *Haats* are periodic markets, offering very useful mechanism of

reaching the interior rural markets. They have the capacity to reach a very large number of potential consumers. *Haats* operate once a week or more often in a total of 41,888 villages. Similarly, more than 25,000 fairs are held regularly in India which offers vast commercial potentials. The average number of outlets (stalls) has been reported to be 314 in *haat* and 854 in a fair with average daily sales of Rs. 2.34 lakh in *haat* and Rs. 54.95 lakh in a fair, as per study conducted by Pradeep Kashyap in 1995. The stalls of manufactured goods have been reported as high as 42 per cent in the fair. These days, emphasis has been laid on direct distribution of goods and products through involving mobile traders or hawkers such as *Banjaras, Bisatis*, and *Maniharans* Self Help Groups, NGOs, community based organizations, and other people's organizations. They are being trained and supported for distribution of goods and products in remote areas. Even companies like HLL have tried to exploit the potential of SHGs through initiating the project of *"Swashakti"* for effective distribution of goods and products in rural areas.

RETAIL BUSINESS IN INDIA

There were 4.8 million retail outlets during 1995 in India. Of these 1.2 million outlets were located in urban areas while 3.6 million outlets (75 per cent) were located in rural areas of India. The latest estimates indicate that India has the largest number of retailers, about 12 million, though they are mostly small and located in rural areas and small towns. About 6 per cent India's employment opportunities are in the retail industry. The retail industry contributes around 10 per cent of GDP while its size is estimated to be 16,000 crore annually and is growing at 18-20 per cent per annum. Importantly, the super markets have started making their presence felt in large cities and metros. There are 3 lakh wholesalers and 4 lakh semi-wholesalers, scattered across the country. About three fourth retail outlets (shops) are serviced by wholesalers and semi-wholesalers. The *haats* and fairs (47,000 haats and 25,000 fairs) have emerged as **'mobile markets'**, with minimum investment and requiring little infrastructure, to be commercially tapped by marketers. During the decade of 1991-2001, retail outlets grew by over 5 per cent in the urban areas and more than 10 per cent in rural areas. The outlets are increasingly diversifying their business operation due to the increased availability of branded and packaged products. Interestingly, the shops are undergoing facelift, becoming consumerism in their approach. The retailers are seeking long credit periods from their distributors, wholesalers and financial institutions. They are providing services like free home delivery, shopping bags, telephonic supply, supply against credit etc. Moreover, they are trying to build retailers consumer relationship and making efforts to network financial institutions to consumer loans and advances. Significantly, wholesaler's segment is accounting about one fourth of total volume while three fourth business transactions is made through retail segment.

Retail is India's largest industry with maximum impact on the population (Shahjahan, 2004). Retail business contributes around 10-11 per cent of GDP. It amounts to nearly $180 billion and the Indian market is six times bigger than Thailand's and four-five times bigger than that of South Korea and Taiwan (Parthasarathy, 2004). The organized retail business is expected to touch Rs. 37,000 crore in 2007 (Thite, 2004). The market size is estimated to be Rs. 11,990 crore annually with the largest contribution of textile and clothing followed by Jewelry (Tables 13.1 and 13.2).

Table 13.1: Structure of Organized Retailing in India

Segment	*Market Size (Rs. Crore)*	*Percentage*
Textile and clothing	4050	33.78
Jewelry	2000-2500	18.77
Consumer Durables	1500	12.51
Footwear	1300-1500	11.68
Food and Personal Care	1000	8.34
Non-Shore Retail	900	7.51
Luggage, watches and Tyres	500	4.17
Books and Music	390	3.25
	11990	100.00

[*Source:* **Economic Times,** Intelligence Unit, 2003.]

Table 13.2: Percentage of Segments in Retailing in India

Segment	*Percentage Share*
Clothing	6.6
Saving Investments	5.2
Consumer durables	3.9
Movies and Theatre	3.8
Books and Music	6.7
Home Appliances	1.1
Entertainment	3.0
Footwear	2.6
Vacation	3.4
Home Textile	1.4

[*Source:* **Economic Times,** 2003.]

It is estimated that $3 billion organized retail segment would grow to be a $7.1 billion industry in 2005. The projections were made in 2001, when the organized sector accounted for $1.12 billion or 1.0 per cent of retailing industry's share. The organized sector's share, currently 2 per cent, is expected to grow to 4.43 per cent in 2005. The major players of retail industry are shown in Table 12. Margin Free Markets, Nilgiris, Foodworld, Shopper's Stop and Pantaloon etc. are some of the large organized retail industries of India. It has been found that the retail industry which has large market areas has more business than the number of stores (Table 13.3).

The growth of retail industry is expected to grow slow in the coming years. The organized retail business is expected to grow by 30 per cent over the next 5 years, reaching almost Rs. 45,000 billion; 2005 while retail business is expected to grow to Rs. 19069.3 billion by 2006 in India. The proportion of sales through organized retailing is estimated to increase around 6 per cent by 2010. On the one hand, retail business is expected to grow slow or negative in urban areas in the coming years while on the other hand, it is expected to grow at the high rate in rural areas of India (Table 13.4).

Table 13.3: Major Retail Players in India

Company	*Number of Stores*	*Total Area (Sq. ft.)*	*Sales 2001-02 (Rs. Crore)*
Margin Free Market	240	360000	540
Nilgiris	26	89000	230
Food World	65	260000	212
Shopper's Stop	9	350000	212
Pantaloon	15	150000	184
Subhiksha	112	—	162
Big Bazar	Opened in 2001	100000	150
Giant	Opened in 2001	50000	50
West side	7	120000	42
Music World	15	—	42
Crossworld	13	180000	35-40+23
Globus	4	110000	—

[*Source:* **www.pwc.com.**]

Table 13.4: Trend of Retail Industry in India

Duration	*1995-2000*	*2000-2005*	*2002-2006*	*2007*
Sales Growth	Very High	High	Moderate Low	Slow to negative
Share of organized retailing in total retailing	Low (<1%)	Low (1-5%)	Medium (5-40%)	High (>40%)
Area	Metros	Metros and A Class	Metros and Non-Metros	Global
Competitors	Very few	Moderate	Many direct and moderate indirect competitor	Moderate direct and many indirect competition
Customer Profits	Urban poor and upper middle class	Urban upper and middle class	Urban and rural	Global

[*Source:* **Economic Times,** Intelligence Unit, 2003.]

The rural population is spread all over India in about 0.6 million villages. Rural market has been growing steady over the years and now is bigger than them the urban market for FMCG's (53 per cent of the total market). With an annual size in value terms, currently estimated at around Rs. 50,000 crore (Bajaj etal, 2005). There are more than 3.8 million retail outlets in rural India, averaging 5.8 shops per village. Importantly, there has been high rate of growth in rural retailing as compared to the growth rate of retailing in urban areas. The retailer is the key source of information for the entire range of entities from manufacturers, whole sellers, buyers etc. Retailers prefer to collect vital information like selection of products, brand, quantity etc. from and give importance to the advice of co-retailers. Therefore, selection of supplier becomes crucial in the overall strategy of rural retailers. Retailers favour big suppliers in the trade centre. Reasonable pricing is preferred by most of the retailers.

Rural consumers regularly visit to periodic markets, fairs and fair price shops as well as village shops. Dealer penetration in most of the products is still low in rural areas (Table 13.5).

Table 13.5: Dealer Penetration and Marketing Share

Product/Brand	*Percentage of Dealer*	*Percentage of Household*	*Percentage of Volume Share*
Tea	65	79	—
Taaza	35	14	8
Tata	22	9	6
Lipton Tiger	17	6	2
3 Roses	13	6	3
Shampoo	55	38	—
Clinic	77	63	47
Lux	16	13	7
Chik	23	9	5
Skin Cream	37	18	—
Fair & Lovely	11	65	46
Pond's Cold Cream	14	11	13
Vicco Vani. Cream	12	3	3
Shaving Cream	37	9	—
Vi. John	62	39	41
Palmolive	23	12	10
Godrej	12	10	6

[*Source:* **ORG - MARG** (2000), **Cited from Rural Marketing:** Targeting The Non-Urban Consumer, By **S.K. Velayudhan, Response Books,** Delhi, 2002.]

Even percentage of total sales of the product effected by rural outlets is ranging in between 3.6 to 4.9 per cent (Table 13.6).

Table 13.6: Rural Market for Some Durables

Product	*Percentage of total sales accounted for by rural buyers*	*Purchase by rural buyers per annum per '000' population*	*No. of outlets in villages selling the product*	*Percentage of total sales of the product effected by rural outlets*
Colour Television	26	2.3	22444	4.4
Refrigerator	22	1.1	1330	3.6
Mixer-grinder	27	1.3	4411	4.8
Pressure Cooker	37	3.2	5061	4.9
Electric Iron	39	3.4	6894	4.5
Fans	53	8.6	7208	4.7

[*Source:* **Praxis - Business Line,** Journal of Management, Vol. 4 (2), July, 2003.]

However, traditional markets such as *haats* and fairs may prove crucial commercial places in rural areas. These markets require a little bit of investment and infrastructure and provide enormous opportunities for marketing of products and services to the rural consumer. Even the fairs and *haats* attract millions of people across the regions, states and nations.

About 40 per cent stalls of these places deal manufactured goods, which may further increased through promotion and marketing strategies. These centres also provide opportunities for marketing research, product counselling, brand promotion etc. Importantly, Self Help Groups (SHG's) have emerged as potential agents for direct marketing. Hindustan Lever Ltd. (HLL) has already launched 'Rural Shakti' programme for direct marketing of products. The programme has involved of SHG's and their promoters. There are about one million bank linked SHG's with members of about 17 million. These SHG's may be involved in marketing of consumer products to the greter context (Kashyap, 2003). Again, there are about 1.2 million civil societies (NGO's) with 20 million employees which may play a crucial role in marketing of products and services in rural areas (Lakshman, 2003). There are about 0.23 million rural panchayats with 2.59 million representatives. They may also prove to become crucial agents of distribution of goods and services. It is already proved that HIndustan Latex Ltd. is involving NGO's and Panchayats for effective marketing of contraceptives in rural India. Besides cooperatives are already engaged in processing, manufacturing and marketing of goods and services (Table 13.7).

Table 13.7: Newly Emerged Markets in Rural India

Particular	*Strength*
Panchayats	
Villages (Village Panchayats)	221754
Representatives	2449739
Block Development (Kshetra Panchayats)	5488
Representatives	129871
Distt (Jilla Panchayats)	602
Representatives	12671
SHG's	
Number (Million)	1.0
Members (million)	17.0
NGo's (Civil Societies) (Million)	1.2
Employees (Million)	20
Haat (Periodical)	47000
Fairs	25000
Village Shops (Million)	3.69
Mobile Traders (Lakh)	4.0
Regulated Market	3000
Fertiliser Sale Points (2002)	282776
Fair Price Shops (2003)	474109
All Marketing Societies (1996-97)	8422
Members	5034416
Milk Societies (1996-97)	84407
Members	9798036
Consumer Societies (1996-97)	28275
Members	14696484
Women Cooperative Societies (1996-97)	8708
Members	897153

[*Source:* **India At A Glance,** 2004.]

Though immense potential of retail business has emerged in rural India. However, it possesses challenges in terms of transportation, logistics, warehousing, re-distribution of goods and products etc. With the change in Information and Communication Technologies, the role of web and internet related communication and business has shown immense potential that may be taking effectively through evolving out suitable strategies for marketing and particularly re-distribution. On the one hand, there has been low expected growth rate of retail business in urban Indian while in the other than hand, there is high expected growth rate in rural areas that may be effectively exploited promoting and strengthening the vast network of retail outlets including village shops, Self-Help Groups, NGOs, Mobile Traders, *haats* and fairs and other community-based organization. Overall, Indian rural retailers need to be empowered regarding Information Technology Enabled Services (ITES) and for having in-depth understanding of dynamics of rural marketing and particularly understanding the physche of consumers in the changing context of business environment and improving living standards of rural consumers.

STRATEGIES

- Corporate sector should come forward to exploit the emerging potential of newly emerged markets. The retailers, especially Mobile Traders, village shops, and large retailers of semi urban areas or small towns may be supported with high profit margins for establishing stalls at traditional fairs, periodical *haats* and exhibitions. They may also be given goods and products on credit basis.
- Proper system of re-distribution of goods and products to the retailers may be ensured through promoting customer relationship, management of Internet services, and also providing incentives to large retailers or wholesalers of towns and cities for redistribution of goods and products to small retailers in rural areas.
- Corporate sector should come forward to sponsor the social events such as *haats* fairs, exhibitions, etc. for promotion of existing brands of products and services and also to gain customer loyalty.
- Corporate sector should identify established NGO's, voluntary organizations, youth clubs, SHG's *Panchayats* etc. to engage them in direct marketing of products and services. The corporate sector should organize orientation, training and skill upgradation programmes for them to make them well acquainted with the dynamics of rural marketing and consumer behaviour. Even, the NGO's engaged in implementation of development programmes in rural areas may be provided some incentives for organizing special sessions on rural marketing while imparting training to the target groups. These sessions may be enriched by the marketing professionals of the corporate sector.
- The established mobile traders be trained, motivated and oriented towards marketing of branded products in rural areas. Even they be provided incentives for marketing of goods and products in rural areas. They should be issued identity cards and may be provided products on credit basis.
- The large retailers and wholesalers should chalk out their marketing programmes according to seasonal calenders of *haats*, fairs, exhibition to be held in the area.

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14

Problems and Challenges of Rural Marketing

We have earlier seen as to in what ways, the rural (specifically Indian) markets offer dearthless opportunities for the corporate sector, for all producers of goods and services, as also for the non-corporate sector institutions. "Nearly three-fourths of the country's consumers are in the rural market and one-half of the national income is generated there. The market started showing it's potential in the 1960s and the 1970s. The 1980s and the 1990s witnessed it's steady development. The first decade of the new millennium is set to see it blossom" (Ramaswamy and Namakumari, 2002, p. 696). A number of corporates have been trying to get a grip on rural markets in a variety of ways. The challenges, as has been trotted out *ad nauseam*, are many. Affordable products, penetration into villages with a small population, connectivity, communication, language barriers, fakes are some of the issues that markets have to contend with. But for the hardy, the rewards are there for the asking (Kamath, 2003, p. 4).

There is no question that rural market reveals opportunities and great at traction to the marketers. But it is not so simple to enter this market in a smooth way. This market bristles with a variety of challenges and every marketer has to work hard to face these challenges successfully. The following are some of the challenges that a marketer may face in entering into a rural market (Dey and Adhikari, 1998, p. 21) :

1. **Vast and Scattered Market:** A vast and scattered market exists in rural India. About 75 per cent of the total population is spread in rural areas. In some states 80 per cent to 90 per cent people live in rural areas (Dey and Adhikari, 1998, p. 21). Whereas the urban population of India is concentrated in 3,200 cities and towns, the rural population is scattered across 570,000 villages. And, of them, only 6,300 villages, or less than 1.1 per cent, have a population of more than 5,000 each. More than 3 lakh villages, or more than 55 per cent of the total number of villages, are in the category of 500 people or less and more than 1.5 lakh villages, or 25 per cent, are in the category of 200 people or less. The inference is clear; unlike urban demand, which is highly concentrated, rural demand is scattered over a large area (Ramaswamy and Namakumari, 2002, p. 697).

2. **Transportation Bottlenecks:** Transportation is the nerve centre for any business centre. But unfortunately, most of the rural markets are paralysed in the absence of proper working of this nerve centre. This problem is more deeply felt by the rural marketing system as it mostly deals in agro-based products like fruits, vegetables, fish, poultry and dairy products which get spoiled if not transported efficiently and quickly. (Sharma & Katewa, 1997, p. 246). Lack of proper roads and transportation facilities create difficulties in entering into rural market. Most of the villages do not have all weather roads. About

1.69 lakh villages have been connected by all weather roads and only 92,800 villages are having fair weather roads. In many villages, people are bound to go on foot because no transportation facilities exist in those areas (Dey and Adhikari, 1998, p. 21). Though the country has the fourth largest railway system in the world, many parts of rural India remain outside the rail network. As regards road transport, nearly 50 per cent of the 570,000-odd villages in the country are still not connected by proper roads. While some improvement is taking place on account of the various rural development programmes, many areas still have only *Katcha* roads and most of the interiors have hardly any roads worth mentioning. As regards transport carriers, the most common ones are the delivery vans and the animal drawn carts. Because of the difficulty in accessibility, delivery of products and services continues to be difficult in rural areas (Ramaswamy and Namakumari, 2002, p. 709-710).

3. **Seasonal and Irregular Demand:** Rural demand is more seasonal compared to urban demand. The pre-dominance of agricultural in the income pattern is one main reason for this. The relatively greater influence of marriages and festivals on the purchase pattern is another. Interestingly, marriages and festivals often coincide with the harvest. Besides being seasonal, rural demand is some what irregular as well... After all, agriculture in many parts of India still depends on the vagaries of the monsoon (Ramaswamy & Nanakumari, 2002, p. 703). So, during harvest and festival seasons, demand increases substantially and vice verse (Dey and Adhikari, 1998, p. 21).

4. **Low Standard of Living:** The rural consumers are having low per capita income, low purchasing power, low literacy rate and therefore, low standard of living. The per capita income of rural people is low as compared to their urban counterparts. The level of literacy rate is also lower in rural areas than that in urban areas (Dey and Adhikari, 1998, p. 21). But the picture is now changing offering greater opportunities to marketers. For instance see Ramaswamy and Namakumari (2002, p. 697-699).

5. **Lack of Desire for New Life-Style:** Rural consumers are a tradition bound community. Their culture, religion and even superstition strongly influence their purchasing decision. There is a dominance of traditionality in rural areas. The pace of life is slow in rural areas and as a result there is a tendency to stick to old principles and traditions (Dey and Adhikari, 1998). By and large, the rural consumers are marked by a conservative and tradition-bound lifestyle. But, what is striking today about this matter is not the basic conservative characteristic, but the fact that the lifestyle is undergoing a significant change. Ramaswamy and Namakumari (2002, p. 698) have shown this.

6. **Language Problem:** Multiplicity of languages spoken in villages is another difficulty faced by marketing people. This poses insurmountable problem in designing the communication strategy (Dey and Adhikari, 1998). More than 30 languages and about 1700 dialects make rural communication difficult. In the urban areas, marketing communication can be managed by and large with English and Hindi. However, marketing communication in the rural area has to necessarily be in the local language and Idiom.

7. **Urban Mind Vs. Rural Mind:** There is a gulf of difference between urban mind and rural mind. That is why there is a wide gap in consumer behaviour in rural areas and urban areas. Marketers are generally from urban areas. Their minds are urban and when they want to enter into the rural areas and win the rural minds with their urban frame there is a great problem (Dey and Adhikari, 1998).

8. **Overall Backwardness:** Rural people are economically backward. Poverty is one of the main problems with India and rural people are poorer than urban people. About 30 per cent of the rural population lives below the poverty line. Poverty confines people's expenditure to it's basic necessities also (Dey and Adhikari, 1998).

9. **Low Turn Over:** Due to limited demand in rural areas, marketing agencies face the stiff problem of low turnover that adds to the interest burden on business resources. This makes the whole exercise un-remunerative and unprofitable. Now, commercial banks in urban areas are giving consumption loans liberally. Such loans must be given in rural areas also so that consumption could be increased. This will increase rural demand for outside products and will raise the living standards of the people there (Sharma & Katewa, 1997, pp. 245-46).

10. **High Inventory Costs:** Rural marketing outlets don't have the necessary knowledge and aptitude to decide the optimum level or inventory. In the absence of proper inventory management, many times, they have unnecessary stock which squeezes the profit margin (Sharma & Katewa, 1997).

11. **Inadequate Marketing Support:** Producers wholesalers don't extend full support in the form of liberal credit to the rural marketing outlets due to the limited potential of these outlets. This reduces their competitiveness in comparison to urban marketing institutions. If the network of financing agencies is improved in rural areas this problem can be solved (Sharma & Katewa, 1997).

12. **Inadequate and Inefficient Communication Facilities:** Business is a game of opportunities and one has to take full advantage when opportunities knock at one's door. But in rural areas, the marketing system is unable to take advantages of these opportunities whereas its counterparts in urban areas encases them (Sharma & Katewa, 1997). But the situations are fast changing with optimum utilisation of information technology, to connect rural India. Koshika Telecom, through a tie up with Uptron Electronics, has recently opened the first cyber dhaba in Ismailganj, near Lucknow. Cyber Dhabas will make it possible for rural folk to send and receive e-mails from the village.... The cyber dhaba concept in an extension of Koshika's earlier strategy of opening up cellular phone booths, called YES-TDS, in the villages of Uttar Pradesh (Pareek, 1999). With cost of technology coming down day by day, several companies are attempting to create virtual *bazaars* or agri-portals akin to weekly *Mandis*. The most notably virtually *Mandis* are the e-choupal by ITC, India Agriline by EID Parry and Dairy Portal by Amul. ITC has already set up 1,000 *Choupals* covering 6,000 villages in four states where farmers can sell products ranging from soya-bean, coffee, fish and wheat. It is a win-win model as both ITC and the farmers make a neat saving by bypassing the middlemen in the physical *Mandi*. The same kiosk is now being used for reverse trading also - for companies to sell products and services needed by farmers directly. In the coming years, more and more companies are going to take the IT route to make the rural markets more accessible and this should open up new business opportunities (Kashyap, 2003, p. 10). Cellular operators across the country are seeing more than 50 per cent of all incremental growth in their cellular business coming from small towns and rural areas, not necessarily from mobile-totting rich farmers atop tractors. Cell phones have reached the man on the cycle, the fishermen and the village Sarpanch... (Law, 2000).

13. **Lack of Proper Planning:** Most of the retailers in rural markets do not start a business for economic reasons; rather there are established and run with non-business objectives, viz. compulsion, or running family business, or to fight unemployment. Even agriculture is performed, not with profit motive nor on commercial lines, but at a substance level; it is not business-oriented but is undertaken as a way of life, simply because f the complete non-existence of any alternative avenues of employment and income generation (Sharma and Katewa, 1997).

14. **Ancient and Obsolete Business Techniques:** Rural marketing is run on old management lines. As such they lack specialised managerial skills, resulting in inability to attract and serve customers. Rural marketing is devoid of modern advertisement strategy, aggressive salesmanship, window-dressing, etc. (Sharma and Katewa, 1997).

15. **Insufficient Storage and Warehousing Facilities:** In warehousing too, there are special problems in the rural context. Business firms find it quite difficult to get suitable godowns in many parts of rural India (Ramaswamy and Namakumari, 2002, p. 710). There are no sufficient storage and warehousing facilities in rural areas. Of course, there is a corporate body named Hindustan Warehousing Corporation Ltd., but it is of no use of the people working in remote rural areas (Sharma and Katewa, 1997). This problem adversely affects the service as well as the cost aspect in distribution. Maintaining the required service level in delivery of products becomes very difficult. At the same time the cost of distribution is escalated.... It has been estimated that the overall distribution cost per unit is higher by as much as 50 per cent on an average in the rural market as compared to the urban market (Ramaswamy & Namakumari, 2002, p. 710).

16. **Raw and Immature Consumers:** Another aspect of he challenges of the rural marketing system is raw consumers. They suffer mainly from the following handicaps: (i) illiteracy, (ii) poverty, (iii) untimely and hurried shopping. As the consumers are illiterate, they are unable to form associations or to take advantage of modern remedies like the Consumer Protection Act. They need credit for shopping which puts extra pressure on rural retailers, who generally work with limited working capital. Besides this, they indulge in untimely and hurried shopping, so that they don't go through the process of shopping (Sharma and Katewa, 1997).

17. **Liberalisation and Globalisation:** India is passing through a transition phase. It has opted for liberalisation and globalization and reaffirmed it's commitment to new economic policies. This will bring about a sea change in rural markets too, as there will now be flooded with a variety of foreign products. With the entry of many multinational corporations, industrial production will grow, and they will try to penetrate the unexplored and unexplored rural markets of India (Sharma and Katewa, 1997). With the flood of Chinese products in Indian markets, there is a big question whether Indian brands will survive? The fact is that the bulk of India's consumer base is poor, and the market is defined by a whole lot of people consuming a little but at low prices rather than a few people consuming a lot at high prices. Indian brands that understand and adopt this way of doing business are well protected because of their reduced cost and capability advantages. This is the true source of delivering value advantage, on a large scale, and profitability. Fortunately the Chinese have a far better inherent cost structure to play this game. So more essential for survival needs to be better distribution and retailer

service, and an inherently better understanding of Indian consumer needs (Bijapurkar, 2001, p. 17).

18. **Proper Segmentation Difficult:** Demand for product varied for people living in different areas with different climatic conditions, occupations, their level of literacy, their outlook towards life, and their exposure to modern sophisticated goods and services. The income differences between wealthy few and the common masses also create differences in the demand, customs, beliefs, etc. All these make proper segmentation difficult (Sahoo & Panda, 1997, p. 72). It would, therefore, be unwise for firms to assume that the rural market as a whole can be served by a single offer or a single product-price-promotion combination. Firms have to analyse the consumers in-depth, carry out thorough market segmentation and select relevant segments as target markets. And, they have to develop a distinctive positioning and a distinctive marketing mix for each target segment (Ramaswamy and Nanakumari, 2002, p. 705).

19. **Inadequate Bank and Credit Facilities:** A large majority of the villages, especially those with 2,000 population or less do not enjoy banking facilities. Whatever RRBs are operating under the various nationalised commercial banks might be quantitatively satisfactory, but subject-wise their performance is not upto expectations. In the process, the rural retailers experience several problems not only in financing their business operations, but also in making payments to the suppliers. For want of credit facilities, retailers are unable to carry enough stocks with them (Sahoo & Panda, 1997, p. 73).

20. **Problems in Organising Marketing Channels:** (a) Multiple tiers add to the costs: At minimum, the distribution chain in the rural context needs three tiers, viz. the village shopkeepers, the Mundi-level distributor, and the wholesaler/stockist/C&F agent in the town. In addition, it involves the manufacturer's branch office operations in the territory.... Producers who can reach the customers through the shortest distribution chain can do better in this market; (b) Non-availability of dealers; (c) Poor viability of the outlets in rural areas (Ramaswamy & Nanakumari, 2002, p. 711).

21. **Availability of Appropriate Media:** It has been estimated that all organised media in the country but together can reach only 30 per cent of the rural population of India. The print media covers only 18 per cent of the rural population. The radio network, in theory, covers 90 per cent. But, actual listenership is much less. TV is popular, and is an ideal medium for communicating with the rural masses. But it is not available in all interior parts of the country. It is estimated that TV covers 20 per cent of the rural population. But, the actual viewership is meagre. The cinema, relatively, is available more as a medium of rural communication. But, these opportunities are very low in rural areas (Reddy, 1997, p. 44).

22. **Constraints in Marketing Communication:** The literacy rate among the rural consumers being low, the scope for using the print word is rather limited. The tradition-bound nature of the people and their cultural barriers and taboos add to the difficulty of communication task. The situation is further compounded by the linguistic diversity. In the urban areas, marketing communication can be managed by and large with English and Hindi. Marketing communication in the rural area has to necessarily be in the local language and idiom. The constraints in media compound the difficulty Rural Communication is also quite expensive.

Rural communication has to go through the time-consuming stages of creating awareness, altering attitudes and changing behaviour. In addition, it has to break, the deep-rooted behaviour patterns (Ramaswamy and Namakumari, 2002, pp. 714-715).

23. **Rural Markets and Sales Management:** Rural marketing involves a greater amount of personal selling effort compared to urban marketing. The rural salesman must be able to guide the rural customers in the choice of products. It has been observed that rural salesmen do not properly motivate in rural consumers. The rural salesman has to be a patient listener as his customers are extremely traditional. He may have to spend a lot of time on customers visits to gain a favourable response from him. Channel management is also a difficult task in rural marketing. The distribution channels in villages are lengthy involving more intermediaries and consequently higher consumer prices. In many cases, dealers with required qualities are not available (Reedy, 1997, p. 44).

24. **Branding:** The brand is the surest means of conveying quality to rural consumers. Day by day, though national brands are getting popular, local brands are also playing a significant role in rural areas. This may be due to illiteracy, ignorance and low purchasing power of rural consumers. It has been observed that there is greater dissatisfaction among the rural consumers with regard to selling of low quality brands, particularly soaps, creams, clothes, etc., whose prices are often half of those of national brands, but sold at pries on par or slightly less than the prices of national brands. Local brands are becoming popular in rural markets in spite of their lower quality (Reddy, 1997, p. 45).

25. **Packaging:** As far as packaging is concerned, as a general rule, smaller packages are more popular in rural areas. At present, all essential products are not available in villages in smaller packaging. The lower income group consumers are not able to purchase large and medium size packaged goods. It is found that the labelling on the package is not in the local language. This is a major constraint to rural consumers understanding the product characteristics (Reddy, 1997, pp. 45-46).

26. **Marketing Planning and Awareness:** Rural markets are different from urban markets. Unlike urban markets, they are unplanned in nature. Till years back, rural markets were simply not eared about. Companies which have been household names for decades in urban areas, were not even heard of in the rural markets. But, with the increase in competition in urban areas, emphasis on rural areas has emerged. However, the executives in the companies do not understand the consumer psychology in rural markets, and it makes the planning process all the more complex. Lack of awareness and understanding of consumer behaviour in rural markets, creates problems in formulating strategies and plans for these (Sharma & Rohmetra, 1997, p. 103).

27. **Designing the Products:** A product which is selling well in urban markets, may not necessarily be a success in rural markets, the reason being the difference in utility value of the product. For example, consumer goods which are becoming more or less a necessity in urban areas as a result of changing lifestyles may still be categorised as luxurious in rural areas. Although, it is wrong to say that the rural markets have not changed during the last 50 years, there does exist a different with regard to the pace of growth in rural and urban areas. Therefore, a product with a particular design and pattern may not find acceptance in rural markets, but may be a success in urban areas. Thus, there is a need for

paying considerable attention to the design of the product, to make it acceptable in the rural markets (Sharma & Rohmetra, 1997, p. 103).

28. **Pricing of the Product:** 'Price' is a tool with which companies can compete with one another. It is a sensitive index, while considering the product. Price plays an important role in urban as well as rural markets, but it is more crucial in rural areas because the income is low. Moreover, price has to justify itself. "The consumer must feel satisfied and benefitted after paying the price for a particular product. Thus, price remains the point of contention (Sharma & Rohmetra, 1997, p. 103).

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15

Rural Marketing Strategies for India

Now, it is crucial for a company to redesign it's marketing-mix, because not much is left in the urban market, which is heading towards saturation. Contrary to this, the rural market has not been tapped scientifically by majority of companies. Growth prospects lie in the efficient exploitation of this market which has more than 250 million consumers. Rural India is a market with regard to which the age-old marketing story - an inland of barefoot people representing tremendous opportunity or a waste of resources for a shoemaker - is applicable. There are many reasons for companies to redesign their mix, for the vast Indian market. Some of them are discussed below (Dwivedi, 1997, p. 94):

- The changing business environment, economic liberalisation, increasing competition, rising costs, lower margins, splintered market, and high consumer choice have brought the consumer to the centre stage. The silent not very demanding customer, who was ignored, has now been replaced by one who is aware and choosy.
- Rural earnings are rising rapidly and personal social familiar and cultural values are under transformation. Increasing personal disposable income will lead greater consumption of products-both durables and non-durables - making a vast potential untapped market presently not as tough as the urban, available.
- Changing buyer profile. Younger, more knowledgeable, better informed and educated sons are replacing conservative fathers in making purchase decisions or have more influential role in decision-making. The group unlike the previous generation, is more rational, less emotional and least interested in long-term association, but wants quick returns.
- It is not only the members of the elite class of urban India which now has a good percentage of upscale consumers whose purchasing power actually matches their propensity to spend. Those in rural India have discarded the ideology of simple livings of their ancestors. They wish to have all types of comforts, and for that, all types of products to boost their status.
- Media-Satellite TV and print - has played a vital role in changing the attitude of the people of India-urban and rural. Among the latter, the rate of change, and in some cases, rise in aspiration level are comparatively higher than among the former. This has rendered rural market open for reduction by marketers of most industries.

The commercial man has to set out on a voyage of discovery, all of his own making in a bid to understand rural India. The beginning has to be made based on integrated efforts like market research, attitudes and preferences of the rural consumers at large, investments according to the research results, etc. If one gets familiar with all these, one can identify the potential areas in the rural market to put in the investment. Though all items reach the villages,

the role of middlemen in the marketing of the produce end up in making the product more expensive for the rural consumers. Only those who can reach the customer directly can survive in this market. The fundamental principles for a marketer who is just trying to penetrate the rural market are as follows (Chundi, 1999, p. 31) :

1. **Market Analysis and Research:** A market survey and analysis is a pre-requisite before entering into the rural areas in order to estimate the range, or anticipated influence sphere of the market; to know about the existing and required marketing facilities like transportation, communication, warehousing facilities (in case of modalities), types of traders and trading practices, etc. A strategies approach is required to assess the consumer behaviour to the products, measurement of market potential for new products and product designing. Broadly speaking, market research involves the analysis of the factors and marketing extension conveys the meaning of disseminating the market information down to the customer clusters. The marketing research and extension are important factors in developing the efficiency of the rural marketing and the economy of the parties involved in trade (Chundi, 1999).

   1.1 **How to identify rural market potential:** The potential of a market depends mainly on the purchasing power of the customers, which, in turn, is affected by the stage of economic development the district is in. The immediate concern of the marketers should be to focus on those areas where the market potential is more. The potential of the areas can be identified by considering the following rural economic indicators:
   — gross cropped area;
   — gross irrigated area;
   — area under non-food crops;
   — average size of land-holdings
   — use of agricultural inputs like tractors, fertilizers, pump sets and tube wells, rural electrification, rural credits and deposits (Khan, 1997, p. 109).

   1.2 **Design product to suit rural requirements:** Conventional wisdom on rural marketing states that the needs of the rural consumers are similar to those of the urban consumers. Hence, the products made to urban specifications should suit the requirements of the rural consumers. However, this is not true in many cases, as there is a market difference between rural and urban environments. For instance, Kerosene or LPG gas stoves, where the flame can be controlled, are used for cooking in urban areas, while an open fire or 'Chulha' is used in rural areas. Pressure cookers with handles on one side suit the urban consumers, but not the rural consumers for use on an open fire or a 'chulha'. Perhaps, a wide-bodied cooker within handles on opposite sides may suit rural requirements. Therefore, while designing and developing products, the requirements of the rural consumers are to be considered and rural-specific products developed. During the late eighties, shampoo sales boomed when it was introduced in sachet pack, because it suited the consumers in low income groups (Narasimhan, 19957, p. 126). Hindustan Motors (HM) launched a utility vehicle the RTV (rural transport vehicle), aimed at rural market (Velayudhan, 2002, p. 20). Hence product development for rural consumers is necessary.

1.3 **Location-specific planning:** A village is a totally different place from a town or a city. The companies which reach directly the rural markets have an edge over the other which are dependent on middlemen in profit-making. Most of the products reach the nearby areas of the towns and cities but fail to reach the rural consumer due to lack of infrastructural facilities. Most of the people buy the products from the towns; however, if the company could reach the rural consumer directly, it increases the turnover for the company. So, reaching the right place at the right time is the most difficult job in rural marketing (Chundi, 1999).

The poorly developed distribution infrastructure is the major constraint at present. Many parts of rural India are still inaccessible through railways and roadways. The problem gets aggravate during the monsoons. All these result in longer lead time between points of production and points of consumption, larger pipeline stocks, higher storage losses, high transportation and distribution costs, and multi-tier distribution channels. The transport system for serving the rural market will have to be largely built around rail for heavy volume and long distance movements, trucks for short hauls, and delivery vans and bullocks carts for local haulage. Tractor trolleys and light commercial vehicles are also now emerging as useful means of local haulage. Firms like Hindustan Lever, Lipton, Brooke Bond, Tata, etc. use their own sales vans for interior transportation, but the cost of operating such vans is high (Mundra, 1997, p. 164).

Marketing Planning: It is obvious that products should be priced at low rates as the villagers normally have low income and that too seasonally. They have a general tendency of including towards cheaper products though they believe in qualitatively high-priced products. In case of daily consumerables, it means a lot, as it directly affects their monthly budget. Companies should reduce the middlemen margin and advertising cots and also should keep lower stocks to reduce transportation costs; these savings can be passed on to the rural consumer making the product reasonably priced. What is required is to determine the preference of the consumer, the competitor's performance, consumer needs and market segmentation. Such analysis will help in positioning the product and pace of the market environment to project the profitable price package. As already mentioned, for introducing a price package, a firm should shortlist the major brands that are already existing in the market; should have a fair idea about the marginal costs of the competing brands, volume of purchase and the customer's shortlist of brands. Apart from price, type of product can also be discussed. The product which is sold at quite a bigger scale may not become a hit in the rural areas. But at the same time it is a misconception that rural consumers are laggards having the traditional approach. Indian villagers indeed accept innovative products provided they suite their culture. Such characteristics as usefulness of the product and the one which is easily manageable, have immense importance for rural consumer (Chundi, 1999).

We can find villagers purchasing products like face powders, shampoos and electric goods. If the product is worth buying, rural consumers do not mind paying a little more. The physical appearance of the packing should be attractive, decorative synchronising with the local culture. Villagers normally identify the product of their choice through it's packaging. Local language is important in promoting the product. People feel more familiar with such type of products and this becomes a base for creating a sustainable consumer - foundation. For promotional strategies, media like cinema and radio can be effectively made use of by the sales

promotee. Television and newspapers are yet to penetrate most of our villages. Only elite sections of the rural society have access to these media. Under the promotion practices, mobile sale shops and fun sales have gained due recognition in the rural market. The fun sales are organised in less developed areas through folk entertainment programmes. *Haats, Melas* and cultural festivals give more opportunities for the marketers to reach the rural consumers directly. According to recent news item, the corporates which now find the metro market completely saturated for advertising their products, had an unique concept of transforming the existing ramshackle state transport bus stops in the rural areas of Maharashtra and Gujarat into state-of-the-art complexes. The project of public service complex is undertaken by the Flora Foundation (registered charitable trust). These PSCs would be having all the facilities under the roof (from toilet facility to communication centre to subsidised canteen). MNCs such as Coca Cola, Global Housing and Finance Corporation and Max Culligaw have expressed their interest in creating these public service complexes. This is an innovative idea of promoting their products through these art complexes; at the same time contributing to the social development of rural India (Chundi, 1999).

Thus in market planning, the product policy should never be considered in isolation. It should always be planned in relation to the market. There are two types of products, existing and potential. Likewise, consumers are also of two types—prevailing and potential (Raja Gopal; Rural Marketing: 1998; 208). The product plan has to match with the product consumer groups for efficient results. The product plan can have,

- new consumers with existing products;
- new products with existing consumers; and
- new products with new consumers (Chundi, 1999).

Promotion: Promotions can go a long way in building customer franchise. Just make sure they deliver value. The value options are (Tondon, 1997, p. 253).

(*a*) Use the lure of more for less to share the promiscuous buyer who switches brands frequently. For this genre of customer, the opportunity of getting a bargain is usually an incontestable source of value.

(*b*) Reward regular buyers with a low price during some months of the year. To be sure, few promos offers limit their large use to regular buyers only, but that's the benefit which regular purchasers perceive.

(*c*) Use the lower price to assure the customer that protecting the wallet against inflation. As the value of money is eroded by rising prices which customer will remember the value of getting the same for a lower price.

(*d*) In cases where potential customers are postponing purchase decisions - often the case with durables in particular - a promotion offers them a chance to take the decision, a value generating process.

Segmenting Rural Markets: A selective is essential for penetration in the rural market. Agricultural prosperity is not uniform in all the rural areas. Some areas have developed rapidly, while others have remained underdeveloped. Markets will develop faster in areas where agricultural development is rapid. Likewise, those areas, where infrastructural facilities are already developed to generate high demand. Family needs dominate over all

other needs; they are followed by farm needs, status needs, and comfort needs. This should be kept in mind while segmenting rural markets. Proximity to a feeder town/*Mandi* has a high influence on rural demand, as people living in nearby areas are more aware of various consumer goods and other products and are experiment-oriented too. Such proximate areas should be taken up first and developed. Further, the target may be younger generation, as they are more literate and have greater exposure to changing values and life-styles (Mundra, 1997, pp. 165-166).

DISTRIBUTION

Distribution Planning: Distribution is the key for a successful marketing policy. The objective of the distribution planning is to make the product available to the consumer at a more convenient outlet. So, an efficient marketing channel should be taken care of. The supportive elements of an efficient marketing channel include infrastructural factors like transport, road, communication, etc. The ultimate aim of market distribution planning should be to make available the product at cheaper rates to the rural consumers. Thus, the rural entrepreneurial firms need to explore innovative approaches to assert a successful market in the rural areas (Chundi, 1999).

The physical distribution system in the rural market normally includes the following functions: (1) transportation; (2) storage of products in the field-safety and security of products, (3) local delivery and sub-distribution, (4) processing of orders and shipping out from warehouses, (5) communication and control, record keeping, information and instructions flow. Time is critical in physical distribution. Reducing 'dead time' between the point of production and the point of consumption is of crucial importance. The ability of Barefoot approach to distribution: Companies could develop and utilise a barefoot approach and train local talent to operate as barefoot salesmen. Fluency in the local dialect, and familiarity with the people in the area of operation, would be among the factors enhancing the efficacy of this approach. A barefoot salesman, operating on a retainer-cum-commission basis, could book orders from retailers in villages within a limited radius of his village (Sahoo & Panda, 1997, p. 74).

Physical Distribution Strategy: We know the special problems of warehousing and storage in the rural marketing context. The Central Warehousing Corporation and the State Warehousing Corporations go only upto the nodal points or, at best major market centres. It is not possible to service the interior outlets efficiently with the existing warehouses. Depending on the existing warehousing facilities, the public ones and their own, is neither adequate nor cost-effective from a commercial point of view. The rural market is operating almost without any institutionalised warehousing. Hence, State Rural Warehousing Corporations should atleast be established, with a good network of warehouses in the interior. Cooperatives should also come forward to create such warehousing facilities. A combination of different modes of transport has to be adopted for facilitating efficient physical distribution. The system for serving the rural market will have to be largely built around rail-cum-trucks for the primary long distance movement, trucks for medium/short distance movement, and delivery vans and bullock carts for local haulage. The bullock cart has a specific role in rural distribution.

Bullock carts are cheaper, they are available in plenty, and they are ideal for the rural roads (Sahoo and Panda, 1997, p. 75).

Satellite Distribution System: Under this system, stockists are appointed by the manufacturer in feeder towns, and entrusted with the task of financing, warehousing and sub-distribution of goods. Retailers, residing in and around the feeder towns are also appointed, and are attached to the stockists. The turnover of retailers varies. Over a period of time, some of the retailers grow in stature and get elevated as stockists of the second generation. This process continues. At any point of time, enough retail points always hover around a particular stockist, and it resembles a Satellite System. The main advantage of this system is that penetration in the interior rural market becomes easier as the manufacturer is not required to open direct stock points (Mundra, 1997, p. 164-165).

COMMUNICATION STRATEGY

As set of following communication strategies, proposed by Dhingra and Sharma (1997), suits the rural marketing efforts in India :

Use of Audio-Video Medium: Communication through Radio and TV should get priority over newspapers and magazines as literacy rate is low in rural areas. Radio has exposure value of 40 per cent, and TV has 27 per cent, while the press has only 15 per cent exposure value. Hence, audio-visual media will be more effective as far as exposure value is concerned (Dhingra & Sharma, 1997, p. 158).

Appropriate Communication Mix: Use of local promotional tools should get priority over advertising, as advertising is marked by selective attention and retention. Usually, a 70: 30 plan is recommended by experts, i.e. 70 per cent of budget should be spent on promotion and 30 per cent on advertising. Local promotion activities like wall paintings, stalls, hoardings, etc., should be effectively utilized. Dhingra & Sharma, 1997, p. 158).

Tailor-made Communication: The contents of the advertisement should be moulded according to regional requirements instead of national releases. Tailor-made message's can counter linguistic, social and cultural differences (Dhingra & Sharma, 1997, p. 158-9).

Use of Publicity Vans/Animals: Publicity vans fitted with audio-visual gadgets should be used to reach ruralities, especially people living in remote tribal and hilly areas. These vans can also carry the products to induce brands trials. TV, VCRs and projectors fitted in the vans will help in spreading advertisement messages. Even animals like elephants can be used for spreading messages by putting banners on them and parading them in villages (Dhingra & Sharma, 1997, p. 159).

Use of Stalls and Haats: Stalls and 'haats', especially in village festivals, can also help to communicators to spread his message and also include brand trials (Dhingra & Sharma, 1997, p. 159).

Appropriate Scheduling: Scheduling of ads is very important. Generally, during the post-harvest period, farmers are cash-rich and in the right frame of mind to consider buying new

products. Hence most of the ads should be slotted around this time (Dhingra & Sharma, 1997, p. 159).

Use of Cinema Halls and Video Parlours: Cinema halls and video parlours present an exciting audio-visual media option for the rural market. This is especially true for the states of Kerala, Andhra Pradesh and Tamil Nadu, with 64 per cent, 62 per cent and 60 per cent rural households exposed to the medium. Relatively high levels of exposure are there in West Bengal, Orissa, Karnataka and Maharashtra, Rajasthan and Uttar Pradesh, however, have barely 9 per cent rural households exposed to cinema (Dhingra & Sharma, 1997, p. 159).

Selective Communication Strategy: Out of approximately 6 lakh villages in the country, only a few with greater sales potential concern the marketing man. Even among these, he should concentrate on the feeder villages. Thus, a selective communication strategy is needed. Most of the advertising and promotion tools should be used only in the villages having larger size and potential (Dhingra & Sharma, 1997, p. 159).

Use of Logos and Symbols: Illiterate persons would remember brands only by picture symbols, as opposed to brand names. So, care should be taken to deliberately design a symbol for the product before introducing it (Dhingra & Sharma, 1997, p. 160).

Focus on Reference Groups: Normally, it is the opinion leaders and reference group who are the only ones exposed to media. These opinion leaders are normally the key persons of the village, like the village 'Sarpanch', the 'gram sevak' or other prominent villagers, like the village school master or the people of the younger generation who have attended school. These people, on account of their urban exposure, get information about urban products and their ways of life play a prominent role in their major buying decisions and have the capacity to promote various products and brands through their advice and influence. So, these people should be taken into account while chalking out communication strategies (Dhingra & Sharma, 1997, p. 160).

Development Marketing Approach: The emphasis of industry and marketers should be on development marketing rather than conventional marketing because of following considerations:

(*a*) It would help in promoting the incomes and living standards of rural consumers;

(*b*) If industry contributes to developing relevant communication links, it will enable them to understand the rural markets better;

(*c*) The industry should identify, develop and promote campaigns like those of National Literacy Commission, National Immunisation Commission, Ecology, Family Planning, etc.;

(*d*) The industry should make social marketing an integral feature. The only way to create marketing awareness is to have a kind of public relations approach. It could further help companies to cash in on the "goodwill" created among the public as well as the government (Vyas, 1997, p. 57).

Company	*Products*	*Strategies*
Bajaj Electricals	Home appliances	Pricing basic models closer to products made by small scale sector.
Colgate Palmolive	Colgate dental cream	Planning to penetrate 1.4 lakh villages in a year.
Dabur India	Chyawanprash, digestive lozenges	Creating brand awareness by taking bowling alleys to villages.
Electrolux	Refrigerators, washing machines	Test marketing urban models in rural Punjab.
Eveready	Batteries	New campaign for white batteries in creasing van coverage.
Godrej Soaps	Toilet soaps	Setting up a rural strategy task force to hike per capita usage.
Hero Cycles	Bicycles	Modifying product to meet different needs in different region.
Hero Honda	Motorbikes, Mopeds	Distributing by using sub-dealers in villages.
Hindustan Lever	Personal Products and detergents	Door to door selling to penetrate villages with population of under 2000.
J.K. Dairy	Dairy Whitener	Selling low unit price package focused mainly on rural markets.
Koshika Telecom	Cellular Services	Setting up cell phone, PCO's in villages with population of less than 10,000.
LG	Colour TV	Selling high priced TV's with regional language displays.
Mahaan Foods	Pickles, ghee, vadis, pappads	Launching fine ever TV and campaign to enhance image in rural areas.
Maharaja	Home appliances	Starting dedicated distribution channel for low end appliances.
Marico Industries	Hair Oil	Selling low price sachet.
Nippo Batteries	Batteries	Using CD-ROMs to plan van routes.
Philips India	Consumer durables	Extending Integrated Communication Campaign from A.P., Tamil Nadu to Maharashtra and U.P.
Titan Industries	Watches	Launching Pilot Project for low priced models.
United Phosphorous	Pesticides	Targeting formers, hiring ad agency for campaign.
Videocon	Consumer durable	Launching functional products pushing walkminics into markets with population of under 50,000.

Fig. 15.1: Corporate Strategies

[*Source:* **Business World,** October 11, 1999.]

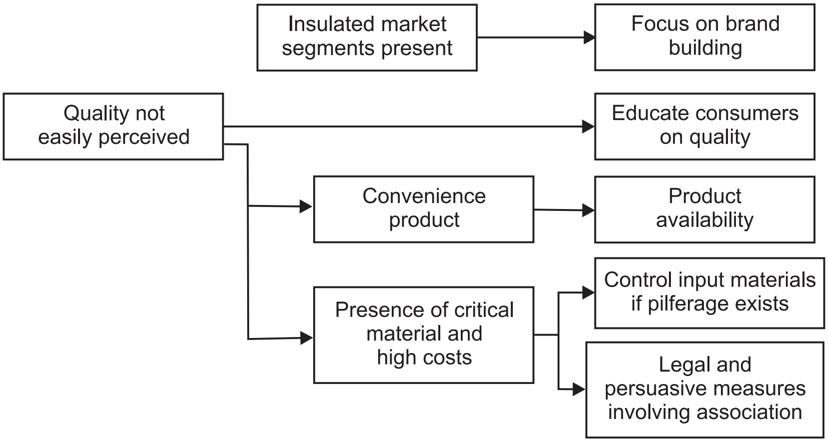

Fig. 15.2: Measures to Counter Duplicates and Imitations
[*Source:* **Velayudhan**, S.K., 2002.]

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